NOT A NEW ISSUE
REMARKETING - Book-Entry-Only

TAX-EXEMPT NON-AMT Current Ratings: Fitch - AA+ S&P - AA+

See "RATINGS" herein

Concurrently with the issuance of the Bonds on March 29, 2007, and the reissuance of the Bonds on August 27, 2009, McGuireWoods LLP, Bond Counsel, rendered an opinion to the effect that, as of the date of such opinion, based on existing law and assuming compliance with certain covenants by and the accuracy of certain representations and certifications of the City and other entities, as described herein, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") (except when held by a "substantial user" of the facilities financed by the Bonds or by a "related user" within the meaning of Section 147(a) of the Code), as described under the heading "LEGAL OPINION AND TAX MATTERS" in the 2007 Official Statement, as hereinafter defined. On the date of the remarketing of the Bonds described herein, McGuireWoods LLP, Bond Counsel, will render an opinion that the delivery of the Liquidity Facility, as hereinafter defined, and the related mandatory tender and remarketing of the Bonds, will not, in and of themselves, adversely affect the exclusion of interest on the Bonds from gross income of the holder thereof for purposes of federal income taxation. See the heading "LEGAL OPINION AND TAX MATTERS."

## REMARKETING CIRCULAR SUPPLEMENTING THE OFFICIAL STATEMENT DATED MARCH 22, 2007

relating to

## CITY OF NORFOLK, VIRGINIA

\$32,365,000

General Obligation Variable Rate Demand Bonds, Series 2007

Dated: Date of Delivery

Due: August 1, 2037

CUSIP\*: 655867-DR7

This Remarketing Circular is intended to supplement the Official Statement dated March 22, 2007 (as previously supplemented, the "2007 Official Statement") authorized in connection with the sale of the General Obligation Variable Rate Demand Bonds, Series 2007 (the "Bonds") issued in the initial aggregate principal amount of \$32,365,000 by the City of Norfolk, Virginia (the "City"). The Bonds are the general obligations of the City, the payment of which the full faith and credit of the City are pledged. The Bonds were issued pursuant to the provisions of the Indenture of Trust dated as of March 1, 2007 (the "Original Indenture") between the City and Regions Bank, as bond trustee (the "Trustee"), as amended and restated by the Amended and Restated Indenture of Trust dated as of August 1, 2009 (the "Amended and Restated Indenture") between the City and the Trustee.

Concurrently with the remarketing of the Bonds, the City has caused to be executed and delivered a Standby Bond Purchase Agreement dated as of March 1, 2014 (the "Liquidity Facility") among the City, Regions Bank, as trustee and tender agent, and Royal Bank of Canada (the "Bank"). Under certain circumstances described herein, the Liquidity Facility will suspend or terminate and, in some circumstances, the suspension or termination of the Liquidity Facility will be immediate and without notice to the holders of the Bonds. In such event no funds may be available pursuant to the Liquidity Facility to purchase tendered Bonds. See "THE LIQUIDITY FACILITY AND THE BANK" herein and in the 2007 Official Statement.

The Bonds are subject to redemption and optional and mandatory tender and purchase prior to maturity, as described herein and in the 2007 Official Statement. The obligation to purchase the Bonds which have been tendered by the holders thereof will be funded from the proceeds of the remarketing of such Bonds by RBC Capital Markets, LLC, as the remarketing agent, and, in the event that such remarketing is not successful, by funds provided from the Liquidity Facility. See "THE LIQUIDITY FACILITY AND THE BANK" herein and in the 2007 Official Statement.

On March 19, 2014, legal opinions will be delivered with respect to the tax status of the Bonds by McGuireWoods LLP, Richmond, Virginia, Bond Counsel.

## **RBC Capital Markets**

The date of this Remarketing Circular is March 12, 2014.

<sup>\*</sup> A registered trademark of the American Banker's Association (the "ABA"), used by S&P in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the City, and the City is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

THE BONDS ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE BONDS ARE ALSO EXEMPT FROM REGISTRATION UNDER THE SECURITIES LAWS OF THE COMMONWEALTH OF VIRGINIA.

All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Remarketing Circular involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Remarketing Circular nor any sale made hereunder shall, under any circumstances, create any implications that there has been no change in the affairs of the City since the respective dates as of which information is given herein.

No dealer, broker, salesman or any other person has been authorized by the City to give any information or to make any representations with respect to the City or the Bonds issued thereby, other than those contained in this Remarketing Circular, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

The Remarketing Agent has reviewed the information in this Remarketing Circular pursuant to its responsibilities to investors under the federal securities laws, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

This Remarketing Circular contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words, "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

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### REMARKETING CIRCULAR SUPPLEMENTING THE OFFICIAL STATEMENT DATED MARCH 22, 2007

relating to

## CITY OF NORFOLK, VIRGINIA

\$32,365,000

General Obligation Variable Rate Demand Bonds, Series 2007

### INTRODUCTORY STATEMENT

This entire Remarketing Circular, including the appendices attached hereto, should be read by any prospective purchaser of the Bonds. No person is authorized to detach this Introductory Statement from this Remarketing Circular or to otherwise use it without this entire Remarketing Circular including the appendices attached hereto. All statements herein are qualified in their entirety by reference to each document. Capitalized terms not defined herein have the meaning assigned in the Official Statement dated March 22, 2007, as supplemented by the Remarketing Circular dated August 26, 2009, attached as Appendix A hereto (collectively, the "2007 Official Statement") or the Amended and Restated Indenture (defined below), attached to the 2007 Official Statement as Appendix D to the Remarketing Circular dated August 26, 2009. To the extent the information in this Remarketing Circular conflicts with the information in the 2007 Official Statement, this Remarketing Circular governs.

This Remarketing Circular supplements the 2007 Official Statement relating to the above referenced General Obligation Variable Rate Demand Bonds, Series 2007 (the "Bonds") issued in the original aggregate principal amount of \$32,365,000. The Bonds were issued by the City of Norfolk, Virginia (the "City") on March 29, 2007, pursuant to the Indenture of Trust dated as of March 1, 2007 (the "Original Indenture") between the City and Regions Bank, as bond trustee (the "Trustee"), as amended by the Amended and Restated Indenture of Trust dated as of August 1, 2009 (the "Amended and Restated Indenture") between the City and the Trustee. As of March 12, 2014, the Bonds are outstanding in the aggregate principal amount of \$29,050,000.

After March 19, 2014 (the "Effective Date"), the Bonds will continue to bear interest at the Weekly Rate. The Weekly Rate will be determined by RBC Capital Markets, LLC and a description of how the Weekly Rate is determined is contained in the 2007 Official Statement.

This Remarketing Circular is to be used for the limited purpose of providing information in connection with the City executing a new Standby Bond Purchase Agreement dated as of March 1, 2014 (the "Liquidity Facility"), with Regions Bank, as trustee and tender agent, and Royal Bank of Canada (the "Bank"), which will serve as liquidity support for the Bonds. The Liquidity Facility will be effective on the Effective Date. In addition, the City entered into a remarketing agreement dated as of March 1, 2014 (the "Remarketing Agreement"), with RBC Capital Markets, LLC (the "Remarketing Agent") pursuant to which the Remarketing Agent will remarket the Bonds. The Remarketing Agreement will be effective on March 14, 2014. See "DESCRIPTION OF THE BONDS – Remarketing Agent" below.

The Amended and Restated Indenture has amended the optional and mandatory redemption provisions of the Original Indenture, as described in "DESCRIPTION OF THE BONDS – Redemption of Bonds" below.

### **DESCRIPTION OF THE BONDS**

### General

The 2007 Official Statement contains summaries of certain provisions applicable to the Bonds while such Bonds bear interest at a Commercial Paper Rate, Daily Rate, Weekly Rate, Monthly Rate, Medium Term Rate and Fixed Rate, including determination of the interest rate, conversion to different interest rates, and optional and mandatory tender by the owners thereof. This Remarketing Circular contains a summary of certain provisions applicable to the Bonds while such Bonds bear interest at a Weekly Rate. Reference is made to the Amended and Restated Indenture, attached to the 2007 Official Statement as Appendix D to the Remarketing Circular dated August 26, 2009, for a more complete description of the Bonds.

So long as The Depository Trust Company ("DTC") acts as a security depository for the Bonds, as described under "DESCRIPTION OF THE BONDS – Book-Entry Only System" in "PART I: THE BONDS" in the 2007 Official Statement, all references to owner or bondholder are deemed to be Cede & Co., as nominee for DTC, and not to participants of DTC or Beneficial Owners.

The Amended and Restated Indenture provides that the Bonds shall bear interest from time to time in any one of seven Interest Rate Periods: (i) a Daily Rate Period, (ii) a Weekly Rate Period, (iii) a Monthly Rate Period, (iv) a Commercial Paper Period, (v) an Indexed Put Rate Period, (vi) a Medium Term Rate Period, and (vii) a Fixed Rate Period (each an "Interest Rate Period"). All Bonds must be in the same Interest Rate Period at any one time.

After the Effective Date, the Bonds will bear interest at the Weekly Rate.

The Bonds were dated their date of original issuance and will mature, subject to the rights of redemption, as set forth under the subheading "Redemption of Bonds."

### **Funds for Purchase of Bonds**

On the date on which Bonds are delivered or deemed delivered for mandatory purchase, the Paying Agent will purchase such Bonds from the Owners thereof at the Purchase Price. Funds for the payment of such Purchase Price will be derived solely from the sources described in "DESCRIPTION OF THE BONDS – Funds for Purchase of Bonds" in "PART I: THE BONDS" in the 2007 Official Statement.

### **Redemption of Bonds**

*Optional Redemption*. The Variable Rate Bonds, including Weekly Rate Bonds, are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date.

While the Bonds are Variable Rate Bonds, the City anticipates that it will cause the Bonds to be redeemed pursuant to the Indenture on August 1 of the years and in the principal amounts set forth in the following table:

Year		Year	
(August 1)	<u>Amount</u>	(August 1)	<u>Amount</u>
2014	\$655,000	2026	\$1,170,000
2015	685,000	2027	1,230,000
2016	720,000	2028	1,290,000
2017	755,000	2029	1,355,000
2018	795,000	2030	1,425,000
2019	835,000	2031	1,495,000
2020	875,000	2032	1,570,000
2021	920,000	2033	1,650,000
2022	965,000	2034	1,730,000
2023	1,015,000	2035	1,820,000
2024	1,060,000	2036	$0^*$
2025	1,120,000	2037	2,005,000

<sup>\*</sup> A portion of the Bonds maturing on August 1, 2037, in the amount of \$1,910,000 is subject to mandatory redemption as provided in "Mandatory Redemption" below.

**Mandatory Redemption.** As a sinking fund, on August 1, 2036, the Trustee shall redeem \$1,910,000 of the Bonds maturing August 1, 2037, at a price of 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the redemption date.

**Procedure for Redemption**. The City will redeem Bonds as described in the 2007 Official Statement.

### **Remarketing Agent**

Effective March 14, 2014, the City entered into the Remarketing Agreement with the Remarketing Agent. The Remarketing Agent will be responsible for any remarketing of the Bonds as described herein and in the 2007 Official Statement.

The Remarketing Agent will use its best efforts to remarket the Bonds to be purchased on a Purchase Date pursuant to the Amended and Restated Indenture; provided however, that with respect to any Bonds that have been called for redemption, such Bonds must be accompanied by a copy of the notice of redemption and will only be remarketed to a purchaser who acknowledges that such Bonds have been called for redemption and will be redeemed on the date stated in the notice. All such sales will be at a price equal to the principal amount thereof plus accrued interest thereon, if any.

On each Purchase Date, the Remarketing Agent will give notice to the Trustee, the City, the Paying Agent, the Liquidity Purchaser and the Credit Provider, in accordance with the terms of the Amended and Restated Indenture and the Trustee will then draw on the Credit Facility or the Liquidity Facility, as applicable, to pay the Purchase Price of the unremarketed Bonds. On each Purchase Date, the Remarketing Agent will remit to the Tender Agent the Remarketing Proceeds of Bonds that have been remarketed, and such amounts will be immediately deposited in the Remarketing Proceeds Account. If the Paying Agent does not receive notice from the Remarketing Agent in accordance with the Amended and Restated Indenture on the applicable Purchase Date, the Paying Agent shall immediately notify the Trustee and the Trustee shall draw on the Credit Facility or the Liquidity Facility, as applicable, to pay

the Purchase Price of the Bonds for which the Remarketing Agent does not have Remarketing Proceeds on hand.

Notwithstanding the foregoing, the Bonds may be remarketed only when (i) a Credit Facility or Liquidity Facility, as applicable, providing for the payment of the Purchase Price of the Bonds in the applicable Coverage Amount will be in effect following the remarketing of such Bonds or (ii) the Bonds will be converted to a Fixed Rate or Medium Term Rate and such Bonds will be rated Investment Grade by any Rating Agency rating such Bonds immediately following such remarketing. Bonds purchased by the Paying Agent from the date on which a notice of Conversion is given through the Conversion Date will not be remarketed except to a buyer who acknowledges at the time of such purchase that the Bond is subject to repurchase on the Conversion Date. The interest rate on any Commercial Paper Bond not remarketed pending Conversion will be determined to have successive Commercial Paper Periods, each one day in duration, until Conversion. The Remarketing Agent will not remarket Bonds owned by or on behalf of the City. The Remarketing Agent will not remarket Credit Provider Bonds or Purchased Bonds, unless the Trustee has received written notice of reinstatement of the Credit Facility or the Liquidity Facility, as applicable, to the Coverage Amount, provided however; the above-referenced written notice of reinstatement is not required, if the Credit Facility or the Liquidity Facility, as applicable, by its terms automatically reinstates to the Coverage Amount without written notice.

### **AUTHORITY FOR THE BONDS**

The Bonds have been authorized and are being issued pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), and Ordinance No. 42,565 adopted by the City Council on February 27, 2007 (the "Initial Ordinance"). The Initial Ordinance authorized the issuance and sale of the City's general obligation variable rate demand bonds (AMT). Ordinance No. 43,575 adopted by the City Council on August 25, 2009 (the "2009 Ordinance"), authorized the reissuance of the Bonds and the execution and delivery of the Amended and Restated Indenture. Ordinance No. 45,438 adopted by the City Council on February 11, 2014 (the "2014 Ordinance") authorized the remarketing of the Bonds and the City's execution of the Liquidity Facility and Remarketing Agreement.

### THE LIQUIDITY FACILITY AND THE BANK

The Liquidity Facility provides for the purchase, in accordance with the terms thereof, of the Bonds which bear interest at the Weekly Rate or Monthly Rate (each a "Covered Rate") that have been tendered, as provided in the Amended and Restated Indenture, but not remarketed subject to certain conditions as described in the Liquidity Facility.

The Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Such summary does not purport to be a complete description or restatement of the material provisions of the Liquidity Facility. Investors should obtain and review a copy of the Liquidity Facility in order to understand all of the terms of that document. Various words or terms used in the following summary are defined in this Remarketing Circular, the Liquidity Facility or the Amended and Restated Indenture, as the case may be, and reference thereto is made for full understanding of their import.

Under certain circumstances described herein, the Liquidity Facility will suspend or terminate and, in some circumstances, the suspension or termination of the Liquidity Facility will be immediate and without notice to the holders of the Bonds. In such event no funds may be available pursuant to the Liquidity Facility to purchase tendered Bonds.

### General

In accordance with the Indenture, the City will cause to be executed and delivered simultaneously with the remarketing of the Bonds the Liquidity Facility providing for the purchase, in accordance with the terms thereof, of the Eligible Bonds which bear interest at the Weekly Rate or Monthly Rate (each a "Covered Rate") that have been tendered, as provided in the Indenture, but not remarketed subject to certain conditions below. The Bonds held by the Bank shall bear interest at the Bank Rate in accordance with the Liquidity Facility. "Eligible Bonds" are defined as any Bond bearing interest at a Covered Rate and which are not Bank Bonds or Bonds owned by or held on behalf of, for the benefit of or the account of, the City or any affiliate of the City.

The obligation of the Bank pursuant to the Liquidity Facility to provide funds for the purchase of Eligible Bonds that have been tendered and not remarketed shall be effective on the Effective Date and shall end the earliest of (i) March 18, 2019, (ii) the date on which no Eligible Bonds are Outstanding, (iii) the close of business on the Business Day next succeeding the Conversion Date or the Substitution Date, (iv) the close of business on the thirtieth (30<sup>th</sup>) day following the date on which a Notice of Termination Date (as defined in clause (4)(i) under the subheading "Remedies" below) is received by the City and the Tender Agent pursuant to the Liquidity Facility or, if such thirtieth (30<sup>th</sup>) day is not a Business Day, the next succeeding Business Day and (v) the date on which the Available Commitment has been reduced to zero or terminated in its entirety (other than as described in clause (iv) above) pursuant to the conditions set forth in the Liquidity Facility. The period extending from the Effective Date in clause (i) through (v) above is referred to herein as the "Commitment Period."

Subject to the terms and conditions of the Liquidity Facility, the Bank shall from time to time during the Commitment Period purchase, with immediately available funds, Eligible Bonds at the Purchase Price on the Purchase Date. The aggregate principal amount (or portion thereof in denominations authorized by the Indenture or any integral multiple thereof) of any Eligible Bond purchased on any Purchase Date, and, in any case, the aggregate principal amount of all Bonds purchased on any Purchase Date, together with the aggregate principal amount of all Bank Bonds then Outstanding, shall not exceed the Available Principal Commitment (calculated without giving effect to any purchase of Eligible Bonds by the Bank on such date) at 10:00 a.m. New York time on such Purchase Date and the portion of the Purchase Price constituting accrued interest on such Eligible Bonds shall not exceed the lesser of (i) the Available Interest Commitment on such Purchase Date and (ii) the actual aggregate amount of interest accrued on each such Eligible Bond to but excluding such Purchase Date. Any Eligible Bonds so purchased shall thereupon constitute Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, bear interest at the Bank Rate and have other characteristics of Bank Bonds as set forth in the Liquidity Facility, the Indenture and in the Bonds.

If, on any Purchase Date during the Commitment Period, pursuant to an optional tender or mandatory tender for purchase, the Bank receives not later than 12:00 noon New York time, a Notice of Bank Purchase from the Trustee, the Bank shall, subject to the conditions set forth in the Liquidity Facility, transfer to the Trustee not later than 2:00 p.m. New York time, on such Purchase Date, in immediately available funds, an amount equal to the aggregate Purchase Price of all or a portion of such Eligible Bonds as requested from the Trustee. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank.

Under certain circumstances described below, the obligation of the Bank to purchase the Bonds tendered by the Owners thereof or subject to mandatory purchase may be terminated immediately or suspended without notice. In such event, sufficient funds may not be available to purchase the Bonds tendered by the Owners thereof or subject to mandatory purchase. The

Liquidity Facility does not guaranty the payment of principal of, premium, if any, or interest on the Bonds in the event of non-payment of such principal, premium, if any, or interest by the City.

## **Events of Default Permitting Immediate Termination or Suspension**

- (1) The City shall fail to pay when due any principal of, or interest on, any Bond (including any Bank Bond); or
- (2) One or more final, unappealable judgments against the City or the security for the Bonds, which, individually or in the aggregate, equal or exceed \$10,000,000 shall remain unpaid, undischarged, unbonded or undismissed for a period of sixty (60) days; or
- (3) (a) The City shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it, or seeking to declare a moratorium with respect to the Bonds or any Parity Obligations, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or the City shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the City any case, proceeding or other action of a nature referred to in clause (a) above which (i) results in an order for such relief or in the appointment of a receiver or similar official or (ii) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) there shall be commenced against the City, any case, proceeding or other action seeking, issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (d) the City shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) the City shall admit in writing, its inability to, pay its debts; or (f) the Commonwealth or any other Governmental Authority shall impose pursuant to a finding or ruling a debt moratorium, debt restructuring, debt adjustment, or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on any Bonds (including any Bank Bonds) or on all Parity Debt or such Governmental Authority imposes a debt restructuring or debt adjustment with respect to any such Bonds or all Parity Debt; or
- (4) (a) Any provision of the Act (as defined in the Liquidity Facility), the Liquidity Facility, the Ordinance (as defined in the Liquidity Facility), the Indenture (as defined in the Liquidity Facility), the Bonds or any Parity Obligations relating to the payment of the principal of or interest on the Bonds (including any Bank Bonds) or any Parity Obligations or the security therefor shall at any time and for any reason cease to be valid and binding on the City as a result of federal or state legislative action, or shall be ruled or found by any court of competent jurisdiction over the City, to be null and void, invalid or unenforceable; or (b) the Commonwealth or the City shall have taken or permitted to be taken any official action, or has duly enacted any statute, which would adversely affect the enforceability of the Liquidity Facility, the Bonds, the Act, the Ordinance, the Indenture or any Parity Obligations relating to the payment of the principal of or interest on the Bonds (including any Bank Bonds) or any Parity Obligations or the security therefor; or (c) any governmental entity with jurisdiction to rule on the validity of the Liquidity Facility, the Bonds, the Act, the Ordinance, the Indenture or any Parity Obligations shall find or rule that any provision of the Liquidity Facility, the Bonds, the Act, the Ordinance, the Indenture or any Parity Obligations, as the case may be, relating to the payment of the principal of or interest on the Bonds (including any Bank Bonds) or any Parity Obligations or the security therefor is not valid or not binding on the City; or (d) the Commonwealth or the City (i) makes a claim in a judicial or administrative

proceeding that the City has no further liability or obligation under the Liquidity Facility, the Bonds, the Act, the Ordinance, the Indenture or any Parity Obligations or (ii) challenges the validity or enforceability of any provision of the Liquidity Facility, the Bonds, the Act, the Ordinance, the Indenture or any Parity Obligations relating to or otherwise affecting the City's obligation to pay the principal of or interest on any Bonds (including any Bank Bonds) or such Parity Obligations or the security therefor; or

- (5) (a) Fitch, S&P and Moody's shall have (i) reduced the long-term unenhanced rating assigned to the Bonds or any Parity Obligations below "BBB-", in the case of Fitch, "BBB-" in the case of S&P, and "Baa3", in the case of Moody's, (ii) withdrawn their long-term unenhanced ratings assigned to the Bonds or any Parity Obligations for credit-related reasons and not as a result of debt maturity, redemption or defeasance or (iii) suspended their long-term unenhanced ratings assigned to the Bonds or any Parity Obligations for credit-related reasons and not as a result of debt maturity, redemption or defeasance; or
- (6) The City shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, demand or otherwise) any Parity Debt (other than any termination payments under any swap or derivative contract), or any interest thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such Parity Debt.

### **Events of Default Not Permitting Immediate Termination or Suspension**

- (1) The City shall fail to pay when due any other amount owed to the Bank pursuant to certain specified sections of the Liquidity Facility (other than amounts described under "Events of Default Permitting Immediate Termination or Suspension"); or
- (2) The City shall fail to pay any amount owing under specified sections of the Liquidity Facility (other than those referred to in paragraph (1) above) within five (5) Business Days after the same shall become due; or
- (3) Any representation or warranty made by or on behalf of the City in the Liquidity Facility, the Indenture or in any other Related Document, as hereinafter defined, or in any certificate or statement delivered under said documents shall be incorrect or untrue in any material respect when made or deemed to have been made; or
- (4) The City shall default in the due performance or observance of any of the covenants set forth in certain specified sections of the Liquidity Facility; or
- (5) The City shall default in the due performance or observance of any other term, covenant or agreement contained in the Liquidity Facility (other than those described under "Events of Default Permitting Immediate Termination or Suspension"), the Indenture or any other Related Document and such default shall remain unremedied for a period of thirty (30) days after the earlier to occur of (a) the date on which the City shall have received notice thereof or (b) the date on which the City has actual knowledge of such default; or
- (6) One or more final, unappealable judgments against the City or the security for the Bonds as described in Section 604 of the Indenture, which, individually or in the aggregate, equal or exceed \$10,000,000 shall remain unpaid, undischarged, unbonded or undismissed for a period of thirty (30) days; or
- (7) The City shall generally not, or shall be unable to, pay its debts; or a legislative or regulatory body with competent jurisdiction shall declare a financial emergency with respect to the City and shall

appoint or designate with respect to the City, an entity such as an organization, board, commission, authority, agency or body to manage the affairs and operations of the City; or

- (8) (a) the Commonwealth or the City (i) makes a claim in a judicial or administrative proceeding that the City has no further liability or obligation under any Related Document or (ii) challenges the validity or enforceability of any provision of any Related Document or the security therefor; or (b) any provision of any Related Document shall at any time and for any reason cease to be valid and binding on the City as a result of federal or state legislative action, or shall be ruled or found by any court of competent jurisdiction over the City to be null and void, invalid or unenforceable; or (c) the Commonwealth or the City shall have taken or permitted to be taken any official action, or has duly enacted any statute, which would adversely affect the enforceability of any Related Document; or (d) any governmental entity with jurisdiction to rule on the validity of any Related Document shall find or rule that any provision of any Related Document is not valid or not binding on the City; or
- (9) Any of Fitch, S&P or Moody's shall have (a) reduced the long-term unenhanced rating assigned to the Bonds or any Parity Obligations below "BBB+," in the case of Fitch, "BBB+" in the case of S&P, and "Baa1," in the case of Moody's (or reduced existing long-term ratings to below such thresholds); (b) withdrawn its long term unenhanced ratings assigned to the Bonds or any Parity Obligations for credit related reasons and not as a result of debt maturity, redemption or defeasance; or (c) suspended its long term unenhanced ratings assigned to the Bonds or any Parity Obligations for credit related reasons and not as a result of debt maturity, redemption or defeasance; or
- (10) (a) The City shall default in the due performance or observance of any term, covenant or agreement contained in any resolution, indenture, contract or instrument providing for the creation of or concerning any Parity Debt, and the same shall not have been cured within any applicable cure period specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such Parity Debt, or pursuant to the provisions of any such resolution, indenture, contract or instrument, the maturity of any such Parity Debt, as a result of the failure to pay principal or interest on such Parity Debt, shall have been or may be accelerated or, as a result of a failure to pay principal or interest on such Parity Debt, shall have been or may be required to be prepaid prior to the stated maturity thereof; or (b) a default shall occur under any evidence of Debt of the City payable from the general fund of the City or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Debt (whether or not such maturity is in fact accelerated); or (c) any Debt of the City payable from the general fund of the City shall not be paid when and as due (whether by lapse of time, acceleration or otherwise); or
- (11) The Internal Revenue Service makes a determination that would adversely affect the excludability from gross income of interest on the Bonds for federal income tax purposes; or
  - (12) An event of default occurs under any Related Document, as hereinafter defined.

Following the occurrence of certain of the above referenced Events of Default, the Bank may take any one or more of the following actions, among others. Reference is made to the Liquidity Facility for a complete listing of all consequences of an Event of Default.

### Remedies

(1) In the case of any Event of Default specified under the subheading "Events of Default Permitting Immediate Termination or Suspension" (each, a "Immediate Termination Event"), the Available Commitment shall immediately be reduced to zero, in which case the obligations of the Bank to

purchase Eligible Bonds under the Liquidity Facility shall immediately terminate and expire without requirement of notice by the Bank; provided, however, that notwithstanding the foregoing, an Event of Default not constituting an Immediate Termination Event shall be deemed to have occurred if and to the extent that the provisions of any Parity Obligations issued subsequent to the Effective Date cease to be valid and binding on the City, or are ruled or found to be null and void, invalid or unenforceable solely as a result of the City's failure to comply with the procedural requirements for the validation and issuance thereof and such failure is the direct cause of said Parity Obligations ceasing to be valid and binding or being ruled or found to be null and void, invalid or unenforceable. After such termination or expiration, the Bank shall deliver, within two (2) Business Days, to the City, the Trustee, the Tender Agent and the Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

(2) In the case of an Event of Default as specified in paragraph 4(c) or 4(d) described above under the subheading "Events of Default Permitting Immediate Termination or Suspension" (each, an "Invalidity Suspension Event"), the obligation of the Bank to purchase Eligible Bonds under the Liquidity Facility shall be immediately suspended without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds unless and until the Available Commitment is reinstated as described below; provided, however, that notwithstanding the foregoing, an Event of Default constituting an Invalidity Suspension Event shall be deemed to have occurred if and to the extent that the provisions of any Parity Obligations issued subsequent to the Effective Date cease to be valid or are not binding on the City pursuant to a finding or ruling of any governmental entity with jurisdiction to rule thereon solely as a result of the City's failure to comply with the procedural requirements for the validation and issuance thereof and such failure is the direct cause of said Parity Obligations becoming the subject of such finding or ruling. Promptly upon the occurrence of any such Invalidity Suspension Event, the Bank shall notify the City, the Trustee, the Tender Agent and the Remarketing Agent of such suspension in writing by facsimile, promptly confirmed by regular mail and E-mail; provided, that the Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment or its obligation to purchase Eligible Bonds pursuant to the Liquidity Facility. Upon the occurrence of an Invalidity Suspension Event described in paragraph 4(c) or 4(d) described above under the subheading "Events of Default Permitting Immediate Termination or Suspension", if a court with competent jurisdiction to rule on such an Event of Default shall enter a final and nonappealable judgment that any of the provisions of the Act or any other document described in paragraph 4(c) described above under the subheading "Events of Default Permitting Immediate Termination or Suspension" are not valid or not binding on the City or that a claim or challenge described in paragraph 4(d) described above under the subheading "Events of Default Permitting Immediate Termination or Suspension" shall have been upheld in favor of the Commonwealth or the City in accordance with a final and nonappealable judgment, then, in each such case, the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall immediately terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on such an Event of Default shall find or rule by entry of a final and nonappealable judgment that the provision of the Act or any other document described in paragraph 4(c) described above under the subheading "Events of Default Permitting Immediate Termination or Suspension" is valid and binding on the City or that the claim or challenge described in paragraph 4(d) described above under the subheading "Events of Default Permitting Immediate Termination or Suspension" shall have been dismissed pursuant to a final and nonappealable judgment, then the Available Commitment and the obligations of the Bank under the Liquidity Facility shall, in each such case, thereupon be reinstated (unless the Commitment Period shall otherwise have expired or the Available Commitment shall otherwise have been terminated or suspended as provided in the Liquidity Facility). Notwithstanding the foregoing, if three (3) years after the effective

date of the suspension of the obligations of the Bank pursuant to any Event of Default described in paragraph 4(c) or 4(d) described above under the subheading "Events of Default Permitting Immediate Termination or Suspension," litigation is still pending and a determination regarding same shall not have been dismissed or otherwise made pursuant to a final and non-appealable judgment, as the case may be, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall at such time terminate without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds.

- (3) Upon the commencement against the City of any involuntary case or other proceeding or the occurrence of any event which, with the lapse of time, the giving of notice, or both, would constitute an Event of Default specified in paragraph 3 described above under the subheading "Events of Default Permitting Immediate Termination or Suspension" (each, an "Insolvency Suspension Event") the Bank's obligations to purchase Eligible Bonds under the Liquidity Facility shall immediately be suspended without notice or demand to any Person and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds until the case or proceeding referred to therein is terminated. In the event such case or proceeding is terminated, then the Bank's obligations to purchase Eligible Bonds under the Liquidity Facility shall be reinstated and the terms of the Liquidity Facility shall continue in full force and effect (unless the Liquidity Facility shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension.
- (4) Upon the occurrence of any Event of Default, the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; and in addition, the Bank, in its sole discretion, may do one or more of the following: (i) the Bank may give written notice of such Event of Default and termination of the Liquidity Facility (a "Notice of Termination Date") to the Trustee, the City and the Remarketing Agent requesting a Default Tender; provided, that the obligation of the Bank to purchase Eligible Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and, on such date, the Available Commitment shall terminate and the Bank shall be under no obligation to purchase Eligible Bonds; (ii) require immediate purchase of Bank Bonds by the City; (iii) exercise any right or remedy available to it under any other provision of the Liquidity Facility; or (iv) exercise any other rights or remedies available under the Indenture and any other Related Document, any other agreement or at law or in equity; provided, further, however, the Bank shall not have the right to terminate its obligation to purchase Eligible Bonds except as described herein.
- (5) In the case of each Suspension Event, the Tender Agent shall immediately notify all Bondholders of the suspension and/or termination of both the Available Commitment and the obligation of the Bank to purchase Eligible Bonds.

### **Certain Defined Terms**

"Available Commitment" as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case, as of such day, as adjusted from time to time as the Available Principal Commitment and the Available Interest Commitment are adjusted from time to time in accordance with the terms of the Liquidity Facility.

"Available Interest Commitment" means that portion of the Available Commitment available to pay the Interest Component of the Purchase Price of the Eligible Bonds representing the accrued and unpaid interest on the Bonds, which initial amount equals 35 days' interest on the Available Principal Commitment for the Bonds based upon an assumed rate of interest of 12.00% per annum and a 365-day year), as such amount shall be adjusted from time to time as follows: (i) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal

Commitment, in accordance with clause (i) or (ii) of the definition herein of Available Principal Commitment, bears to the initial Available Principal Commitment; and (ii) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment, in accordance with clause (iii) of the definition herein of Available Principal Commitment, bears to the initial Available Principal Commitment; provided, however, that in no event shall such amount exceed \$334,274. Any adjustment to the Available Interest Commitment pursuant to clause (i) or (ii) above shall occur simultaneously with the occurrence of the events described in such clause.

"Available Principal Commitment" means that portion of the Available Commitment available to pay the Principal Component of the Purchase Price of Eligible Bonds representing the principal amount on the Bonds, which initial amount equals the aggregate principal amount of the Bonds Outstanding of \$29,050,000 and, thereafter, means such initial amount as adjusted from time to time as follows: (i) downward by the amount of any mandatory or voluntary reduction of the Available Principal Commitment pursuant to the Liquidity Facility; (ii) downward by the principal amount of any Bonds purchased by the Bank pursuant to the Liquidity Facility; and (iii) upward by the principal amount of any Bonds theretofore purchased by the Bank pursuant to the Liquidity Facility which are remarketed (or deemed to be remarketed) pursuant to the Liquidity Facility by the Remarketing Agent and for which the Bank Owner has received immediately available funds equal to the principal amount thereof and accrued interest thereon; provided, however, that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds shall never exceed \$29,050,000. Any adjustment to the Available Principal Commitment pursuant to clauses (i), (ii) or (iii) hereof shall occur simultaneously with the occurrence of the events described in such clauses.

"Bank Bond" means each Bond purchased by the Bank pursuant to the Liquidity Facility and held by or for the account of the Bank or a subsequent Bank Owner in accordance with the terms of the Liquidity Facility, until purchased or retained in accordance with the Liquidity Facility or redeemed or otherwise paid in full.

"Bank Owner" means the Bank (but only in its capacity as owner (which, as used herein, shall mean beneficial owner if, at the relevant time, Bank Bonds are Book Entry Bonds) of Bank Bonds pursuant to the Liquidity Facility) or any other Person to whom the Bank or a subsequent Bank Owner has sold Bank Bonds in accordance with the Liquidity Facility.

"Conversion Date" means the date none of the Bonds bear interest at a Covered Rate.

"Debt" of any person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person, (f) all guarantees by such Person of Debt of other Persons, (g) all payment obligations to reimburse or repay any bank or other Person in respect of amounts paid or advances under a letter of credit, credit agreement, standby bond purchase agreement or any other similar instrument and (h) all payment obligations under any swap or derivative contract.

"Defaulted Interest" means accrued interest on the Bonds which was not paid when due under the terms of the Indenture or any amounts accruing on amounts owed on the Bonds by reason of such amounts being not paid when due.

"Default Tender" means a mandatory tender of the Bonds as a result of the Bank's delivery of a Notice of Termination Date to the Tender Agent.

"Governmental Authority" means any national, state or local domestic government, any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity (including any zoning authority, the Federal Deposit Insurance Corporation or the FRB, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law.

"Parity Debt" means Debt secured by the full faith and credit and taxing power of the City.

"Parity Obligations" means other Debt, including bonds (excluding the Bonds), now or hereafter Outstanding; provided that such Debt is secured by the full, faith and credit and taxing power of the City as and to the extent described in the Indenture.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a joint venture, a trust, a business trust or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Purchase Price" means, with respect to any Eligible Bond as of any date, 100% of the principal amount of such Eligible Bond plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond; and provided, further, in no event shall the Purchase Price of any Bond include any premium owed with respect to any Bond or any Defaulted Interest in the excess of any amount specified in the Liquidity Facility.

"Related Documents" means the Liquidity Facility, the Fee Agreement dated as of March 1, 2014, between the Bank and the City, the Bonds, the Remarketing Circular, the Indenture, the Ordinance, the Remarketing Agreement and any other document or instrument related to the issuance of the Bonds as agreed to by the City and the Bank.

"Suspension Event" means the occurrence of any Invalidity Suspension Event or any Insolvency Suspension Event.

### The Bank

Royal Bank of Canada is providing the Liquidity Facility. Information regarding the Bank is included in Appendix D hereto. The information regarding the Bank was provided by the Bank, and the City makes no representation, nor does the City assume any responsibility for, the adequacy, accuracy or timeliness of such information.

### LEGAL OPINION AND TAX MATTERS

In connection with the original issuance of the Bonds on March 29, 2007, and the reissuance of the Bonds on August 27, 2009, McGuireWoods LLP, Richmond, Virginia, acted as bond counsel ("Bond Counsel") and delivered an opinion (the "2007 Opinion" and the "2009 Opinion," respectively) regarding the tax-exempt status of the Bonds. A copy of the form of each opinion is set forth in the 2007 Official Statement, which is attached as Appendix A hereto. In connection with the remarketing of the Bonds, Bond Counsel will deliver an opinion that the execution and delivery of, and the performance by the City, the Bank and the Trustee of their respective obligations under the Liquidity Facility and the undertaking and completion of the remarketing of the Bonds pursuant to the Amended and Restated Indenture will (i) have no adverse effect on the excludability of the interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Code and (ii) will not cause interest on the Bonds to be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under Sections 56 and 57 of the Code. See **Appendix C** – "**Form of Opinion of Bond Counsel"**.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds. Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The City has covenanted, however, to comply with the requirements of the Code.

### **Possible Legislative or Regulatory Action**

Legislation and regulations affecting tax-exempt bonds are continually being considered by the United States Congress, the U.S. Department of the Treasury ("Treasury") and the IRS. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed after the date of issue of the Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax status or the market price of the Bonds or on the economic value of the tax-exempt status of the interest thereon.

### PENDING LITIGATION

The City, in the course of doing business, has been named as defendant in certain personal injury cases and suits for property damage.

These suits are being defended by the City Attorney and associated independent counsel retained by the City Attorney, and it is the opinion of the City Attorney that any possible losses in connection with the above pending litigation will not materially and adversely affect the City's financial condition. The City Attorney is also of the opinion that the above pending litigation will not affect the validity of the

Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of the Bonds or the interest thereon. There is no pending litigation with respect to the Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of such Bonds or the premium, if any, or interest thereon.

### **RATINGS**

As of the original issuance of the Bonds on March 29, 2007, the Bonds were assigned long-term ratings of "A1" by Moody's Investors Service, Inc. ("Moody's"), "AA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("Standard & Poor's"), and "AA" by Fitch, Inc. ("Fitch"), and short-term ratings of "F1+" by Fitch and "A-1+" by Standard & Poor's. In connection with this remarketing, the City requested confirmation of the ratings for the Bonds from Standard & Poor's and Fitch, and as of March 12, 2014, the Bonds have long-term ratings of "AA+" by Standard & Poor's, and "AA+" by Fitch, and short-term ratings of "A-1+" by Standard & Poor's, and "F1+" by Fitch. The short-term ratings as of March 12, 2014, reflect the Bank as the counterparty to the Liquidity Facility. Financial and operational information about the Bank is attached in Appendix D. The City has never requested a short-term rating on the Bonds from Moody's, and the City did not request a confirmation of the rating for the Bonds from Moody's in connection with this remarketing. The short-term rating of Standard and Poor's and the short-term rating of Fitch are subject to change prior to the effective date of the Liquidity Facility.

The ratings reflect only the views of the respective rating agency at the time such ratings were assigned. Any explanation of the significance of the ratings may be obtained only from the respective rating agency. Generally, rating agencies base their ratings upon information and materials provided to them and upon investigations, studies and assumptions by the rating agencies. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's, Standard & Poor's or Fitch. Such action may have an adverse effect on the market price of the Bonds. The City has not undertaken any responsibility after the original issuance of the Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

# FINANCIAL STATEMENTS AND OTHER INFORMATION REGARDING THE CITY

On November 7, 2013, the City issued its \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt), \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) and \$2,470,000 General Obligation Qualified Energy Conservation Bonds, Series 2013C (Taxable) (collectively, the "Series 2013 Bonds"). Attached as Appendix B hereto is a copy of the Official Statement dated October 17, 2013 (the "2013 Official Statement") with respect to the offering of the Series 2013 Bonds. Updated information regarding the City, similar to the information provided in "PART II: CITY INDEBTEDNESS," "PART III: FINANCIAL INFORMATION" and "PART IV: ENTERPRISE FUNDS" and "PART V: THE CITY OF NORFOLK" in the 2007 Official Statement, is set forth in corresponding sections in the 2013 Official Statement.

The City's audited general purpose financial statements, including a report of the City's independent accountants for the Fiscal Year Ended June 30, 2013, are set forth in Appendix E hereto, with accompanying notes.

### **City Government**

In addition to the information under this subheading in "PART V: THE CITY OF NORFOLK – City Government" in the 2013 Official Statement, in January 2014, Anthony L. Burfoot took office as the City Treasurer, to which he was elected in November 2013, Angelia M. Williams was appointed Vice Mayor and Alveta V. Green was appointed to fill Mr. Burfoot's seat on City Council to represent Ward 3 until a special election is held in May 2014.

Mrs. Green served as an early childhood teacher for 34 years with Norfolk Public Schools. Following her career as a teacher, Mrs. Green served for seven years on the City's School Board. She received a Bachelor of Science degree from Virginia State University, Petersburg, Virginia. Mrs. Green previously served as the interim councilmember for Super Ward 7 in 2010 and has been active for many years in the civic affairs of the City.

### **Arts and Culture**

In addition to the information under this subheading in "PART V: THE CITY OF NORFOLK – Economic and Demographic Factors" in the 2013 Official Statement, in January 2014, Carnival Cruise Lines announced that it would return to the City in 2015 and confirmed its previous announcement that it would not deploy ships from the City in 2014.

### **Military**

In addition to the information under this subheading in "PART V: THE CITY OF NORFOLK – Economic and Demographic Factors" in the 2013 Official Statement, the military assigns to and reassigns from the City ships, squadrons and personnel on a regular basis. Due to the ongoing military presence, the arrivals and departures from the military facilities in the Hampton Roads region do not typically have a material impact on the economic condition of the City. However, in the last two years, the Hampton Roads region has seen the arrival of the USNS Comfort, a hospital ship, and been informed that three ships, the USS New York, the USS Iwo Jima and the USS Fort McHenry are to be relocated to other home ports while a cruiser is to be relocated to the Hampton Roads region. The USNS Comfort brings with it a crew of approximately 76 personnel when in port. The Hampton Roads Planning District Commission (the "HR Planning District Commission") has reported that the three departing ships carry approximately 1,847 personnel (representing approximately 2.1% of the Navy personnel in the Hampton Roads region) and their departure is expected to result in a \$590 million decrease in Hampton Roads' gross regional product. The HR Planning District Commission has estimated that the employment loss to the region will range between 3,000 and 6,000 jobs.

In Fiscal Year 2011, the U.S. Navy's impact on the Hampton Roads region was approximately 14.9 billion. In addition in January 2014, the first of three destroyers, the USS Cook, moved to Rota, Spain. Another destroyer is expected to move later in 2014, and the third is expected to move is 2015. These departures are expected to result in an employment loss of 1,524 across the Hampton Roads region. The United States Marine Corps is in the process of reallocating personnel and has announced that the Marine Expeditionary Forces headquarters (currently located at Camp LeJeune, NC) will be relocated to Marine Forces Command (located in the City), which is expected to bring 100 military personnel and their families to the region. In addition, there are ongoing discussions to consolidate other Marine Corps commands within the Marine Forces Command.

In addition to the foregoing, Investors are directed to review the updated operational and financial information with respect to the City set forth in Appendix B hereto.

### CONTINUING DISCLOSURE

The City has entered into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with respect to the Bonds, the form of which is set forth as Appendix C to the 2007 Official Statement, pursuant to which the City has covenanted and agreed, for the benefit of the holders of the Bonds to provide certain annual financial information and material event notices required by Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). As described in Appendix C to the 2007 Official Statement, such undertaking requires the City to provide only limited information at specified times. The City has previously undertaken to provide continuing disclosure in connection with other outstanding tax-exempt obligations, including the Bonds.

Except as described below, the City is not aware of any instances in the previous five years in which it has not complied with, in any material respect, its previous continuing disclosure undertakings. The City did not comply with certain continuing disclosure undertakings with respect to its water revenue bonds and certain of its parking system revenue bonds by not filing in a timely manner with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system and the respective nationally recognized municipal securities information repositories specified operating data for the Fiscal Years 2008 through 2010. The omitted data was included previously in the statistical section of the City's Comprehensive Annual Financial Report but was omitted inadvertently for such years, and subsequently, the City filed such information. The City has established procedures to reduce the likelihood of future reoccurrences.

### REMARKETING

### The Remarketing Agent Is Paid by the City

The Remarketing Agent's responsibilities include determining the interest rate from time to time and using best efforts to remarket Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), as further described in this Remarketing Circular. See "DESCRIPTION OF THE BONDS – Remarketing Agent" above. The Remarketing Agent is appointed by the City and is paid by the City for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of the Bonds.

### The Remarketing Agent May Purchase Bonds for Its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, may purchase such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, routinely acquires such tendered Bonds in order to achieve a successful remarketing of the Bonds (*i.e.*, because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

### Bonds May Be Offered at Different Prices on Any Date Including a Rate Determination Date

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

### The Ability to Sell the Bonds Other Than Through Tender Process May Be Limited

The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

### **CERTAIN RELATIONSHIPS**

The Royal Bank of Canada, the provider of the Liquidity Facility, is the parent company of RBC Capital Markets, LLC, the Remarketing Agent.

### **MISCELLANEOUS**

Any statements in this Remarketing Circular, including the Appendices hereto, involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. The attached Appendices are integral parts of this Remarketing Circular and must be read together with all of the foregoing statements.

The summaries or descriptions of provisions of the Amended and Restated Indenture, the Liquidity Facility, and other legal instruments and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is hereby made to such instruments, documents and other materials for the complete provisions thereof.

Any questions concerning the content of this Remarketing Circular should be directed to the City's Director of Finance, City Hall Building, 810 Union Street, Suite 600, Norfolk, Virginia 23510, (757) 664-4346. The distribution of this Remarketing Circular has been duly authorized by the City which has deemed this Remarketing Circular final within the meaning of the Rule.

CITY OF NORFOLK, VIRGINIA			
Marcus D. Jones, City Manager			
Alice M. Kelly, Director of Finance			

APPENDIX A  OFFICIAL STATEMENT DATED MARCH 22, 2007, AS PREVIOUSLY SUPPLEMENTED	



NOT A NEW ISSUE REMARKETING - Book-Entry-Only Current Ratings: Fitch ......AA/F1+ Moody's...A1/NR S&P.....AA/A-1 See "RATINGS" herein.

TAX-EXEMPT NON-AMT

> he deprises of McGrawWoods LLP, Boad Councel, based on existing law and assuming complicates with the provisions of the Internal Revenue Code of 1986, assumed for "Code," as control better, interest on the Section 2007 Bloods is recluidable from great issumed or of the events of the Section 2007 Bloods for factor income tax purposes (except when field by a "Industrial user" of the Bulletins Based by the Series 2007 Bloods for the Fraint 2007 Bloods for the Section 2007 Bloods for the Trailed user within the managing of Section 15(1) of the Code), and a specialize serie also represented for purposes of the field salimative instinuous tax supposed on individuals and composition, and it not middled at the calculation of composes distractive instinuous tax for the Section 2007 Bloods for the Tax Section 2007 Bloods for the Section 2007 Bloods for the Tax Section 2007 Bloods for the Tax

> > REMARKETING CIRCULAR
> > SUPPLEMENTING THE OFFICIAL STATEMENT
> > DATED MARCH 22, 2007
> > relating to

#### CITY OF NORFOLK, VIRGINIA \$32,365,000 General Obligation Variable Rate Demand Bonds, Series 2007

Dated: Date of delivery

Due: August 1, 2037

This Remarketing Circular is intended to supplement the Official Statement deted March 22, 2007 (the "2007 Official Statement) and connection with the sale of the Circuit Official Official State Demand Boods, Science 2007 (the "Series 2007 Othical Statement) and suppress produced and s

The Series 2007 Bonds were issued as exempt facility bonds for docks and what's pursuant to Section 142 of the Internal Revenue Code of 1916 (Ret. Tac. Code\*). Sections 56 and 57 of the Tac Code provide that, in general, the internal concerns facility bonds such as the forcis 2007 Bonds in stread as a test references term from proposes of the individual and supercent facility bonds investment and transfer internal as a few proposes of the individual and supercent facility and insurinces insurinces (ACMT) and must be included an algority continue analogy for the purposes of the composition ACMT. Section 150 of Title 1 of Division to 6 the American Recovery and Retirectment Act 2700° (ADAXT) meaned Sections 5 and 57 of the Tac Code Title Co

The City has provided notice to the bondholder of the Series 2007 Bonds, and has received such bondholder's consent for, the execution and delivery of an Amended and Restated Indonner of Trust dated as of August 1, 2009 (the "Amended and Restated Indonner") between the City and the Trustee, amending and restation the City leads the consense of the Series 2007 Bonds.

This Remarksting Circular is to be used for the limited purpose of providing information in connection with (1) the designation of the Series 2007 Bonds as non-AMT bonds, (2) the new provisions providing the City with the ability to convertthe interest rate on the Series 2007 Bonds to an Indexed Put Rate,

The Series 2007 Bonds are subject to redomption and optional and mandatory tender and purchase prior to maturity, as described benein and in the 2007 Official Statement. The obligation to purchase the Series 2007 Bonds which have been tendered by the holders thereof will be habited from the perceived in the remarkating of our additional Series 2007 Bonds to be Remarkating, again securiously by the Chapter of the THE PARMANT OF THE PARMANE PRICE OF THE SERIES 2007 BONDS TENDERED OR REQUIRED TO BE TENDERED FOR PURCHASE WILL Be A DIRECT COLLIDATION OF THEORY.

Concurrently with the original issuance of the Series 2007 Bords, the City caused to be executed and delivered a Standby Bond Purchase Agreement (the "Legislathy Facility") between the City and Livyde TSB Bank pits, using through its New York Banach (the "Bank"). The Lipsdey Facility provides the design to the first and the first and the Control 2007 Bond, which we insert and the Pally Ram, Weekly have been bordedly has (see the "Control 2007 Bond, which we have more than border, as provided in the Amended and Facilities Information, that or constituted adaptive to extens conditions an described in the "Office Statements." Are THE LIPSDEY TO ACCUST AND THE BOND STATE WHITE AND THE BOND STATE AND THE BOND ST

The Amended and Restand Indenture shall become effective on August 27, 2009 (the "Effective Due")—On the Effective Due, legal opinions with delivered with respect to the tax status of the Series 2007 Bonds after giving effect to the Amended and Restated Indenture by McGuireWoods LLP, Richmond, Victoria, Bond Chuset.

#### MORGAN KEEGAN & COMPANY, INC.

The date of this Remarketing Circular is August 26, 2009.

REMARKETING CIRCULAR SUPPLEMENTING THE OFFICIAL STATEMENT DATED MARCH 22, 2007

#### CITY OF NORFOLK, VIRGINIA \$32,365,000 General Obligation Variable Rate Demand Bonds, Series 2007

### INTRODUCTORY STATEMENT

This entire Remarketing Circular, including the appendices attached hereto, should be read by any prospective purchaser of the Series 2007 Bonds. No person is authorized to detach this Introductory Statement from this Remarketing Circular or to otherwise use it without this entire Remarketing Circular including the appendices attached hereto. All statements herein are qualified in their entirety by reference to each document. Capitalized terms not defined herein have the meaning assigned in the Official Statement 2, 2007, attached as Appendix A bretto (the "2007 Gridical Statement") or the Amended and Resistated Indenture (defined below), attached as Appendix D hereto. To the extent the information in this Remarketing Circular conflicts with the information in the Statement of the Conflict of the statement, this Remarketing Circular governs.

This Remarketing Circular supplements the 2007 Official Statement relating to the above referenced General Obligation Variable Rate Demand Bonds, Series 2007 (the "Series 2007 Roads") issued in the original aggregate principal amount of \$32,365,000. The Series 2007 Bonds were issued by the City of North (City of March 1), 2007, persuant to the Indomure of Trust dated as of March 1, 2007 (the "Original Indenture") between the City and Regions Bank, as bond trustee (the "Trustee"). As of August 26, 2009, the Series 2007 Bonds are outstanding in the aggregate principal amount of \$31,365,000.

The Series 2007 Bonds were originally issued as exempt facility bonds for docks and wharfs pursuant to Section 142 of the Internal Revenue Code of 1966 (the "Tax Code"). Sections 56 and 57 of the Tax Code provide that, in general, the interest on exempt facility bonds such as the Series 2007. Bonds is treated as a tax preference item for purposes of the individual and corporate foderal alternative minimum tax ("AMT") and must be included in allquisted current enterings for purposes of the corporation AMT. Section 1903 of Title 1 of Division B of the American Recovery and Reinvestment Act of 2009 ("ARRA") amonds Sections 56 and 57 of the Tax Code to provide that exempt facility bonds, including certain refunding bonds, issued during calcular years 2009 and 2010 are not subject to the general AMT talks in Section 56 and 57 of the Tax Code. The City has determined to make certain samendments to the Original Indenture and the Series 2007 Bonds to provide increased flexibility for the City and to cause the reissuance of the Series 2007 Bonds to allow the interest thereon to quality for the amendments to the reissuance of the Series 2007 Bonds to allow the interest thereon to quality for the amendments

The City has provided notice to the bond holder of the Series 2007 Bonds, and has received such bondholder's consent for, the execution and delivery of an Amended and Restated Indenture of Trust dated as of August 1, 2009 (the "Amended and Restated Indenture") between the City and the Trustee for purposes of smending and restating the Original Indenture. On August 27, 2009 (the "Effective Date"), the City and the Trustee will execute and deliver the Amended and Restated Indenture.

All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Remarketing Circular involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Remarketing Circular nor any sale made hereunder shall, under any circumstances, create any implications that there has been no change in the affairs of the City-inner the respective dates as of which information is given herein.

No dealer, broker, salesman or any other person has been authorized by the City to give any information or to make any representations with respect to the City or Series 2007 Bonds issued thereby, other than those contained in this Remarksting Circular, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

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After the Effective Date, the Series 2007 Bonds will continue to bear interest at the Weekly Rate. The Weekly Rate is determined by Morgan Keegan & Company, Inc. (the "Remarketing Agent") as described in the 2007 Official Statement.

This Remarketing Circular is to be used for the limited purpose of providing information in connection with (1) the designation of the Series 2007 Bonds as non-AMT bonds, (2) the new provisions providing the City with the ability to convert the interest rate on the Series 2007 Bonds so an Indexed PM Rate, and (3) certain other new provisions contained in the form of the Amended and Restated Indenture, attached as Appendix D hereto.

The Amended and Restated Indenture has amended the optional and mandatory redemption provisions of the Original Indenture, as described in "DESCRIPTION OF THE SERIES 2007 BONDS — Redemption of Bonds" below. In addition, the Amended and Restated Indenture has amended the provisions regarding future supplements and amendments to the Amended and Restated Indenture, as described in Section 605 of the Amended and Restated Indenture.

### DESCRIPTION OF THE SERIES 2007 BONDS

### General

The 2007 Official Statement contains summaries of certain provisions applicable to the Series 2007 Bonds while such Series 2007 Bonds bear interest at a Commercial Paper Rate, Daily Rate, Weekly Rate, Monthly Rate, Medium Term Rate and Fixed Rate, including determination of the interest rate, conversion to different interest rates, and optional and mandatory tender by the owners thereof. This Remarketing Circular contains a summary of certain provisions applicable to the Series 2007 Bonds while such Series 2007 Bonds with such Series 2007 Bonds.

So long as The Depository Trust Company ("DTC") acts as a security depository for the Series 2007 Bonds, as described under "DESCRIPTION OF THE BONDS — Book-Eatry Only System" in "PART I: THE BONDS" in the 2007 Official Statement, all references to owner or bondholder are deemed to be Cede & Co., as nomince for DTC, and not to participants of DTC or Beneficial Owners.

The Amended and Restated Indenture provides that the Series 2007 Bonds shall bear interest from time to time in any one of seven Interest Rate Periods: (i) a Daily Rate Period, (ii) a Weekly Rate Period, (iii) a Monthly Rate Period, (iv) a Commercial Paper Period, (v) an Indexed Put Rate Period, (vi) a Medium Term Rate Period and (vii) a Fixed Rate Period (act Am "Interest Rate Period"). All Series 2007 Bonds must be in the same Interest Rate Period at any one time.

After the Effective Date of the Amended and Restated Indenture, the Series 2007 Bonds will bear interest at the Weekly Rate.

The Series 2007 Bonds were dated their date of original issuance and will mature, subject to the rights of redemption, as set forth on the cover of this Remarketing Circular.

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#### Interest on Indexed Put Rate Bonds

Interest on Indexed Put Rate Bonds

General. After the conversion of the Series 2007 Bonds to an Indexed Put Rate, each Series 2007 Bond will evidence the right to receive interest, at an Indexed Put Rate, determined from time to time, from and including the date of conversion to such Indexed Put Rate, determined from time to time, from and including the date of conversion to such Indexed Put Rate Period until payment of the principal or redeemption price thereof has been made or provided for in accordance with the provisions of the Amended and Restated Indenture, whether at maturity, on redemption or otherwise. Interest For each Indexed Put Rate Interest Price will be paid on the next succeeding Interest Payment Dute. With respect to Indexed Put Rate Bonds, "Interest Payment Date" means (i) the first Business Day of each calendar month, (ii) the date of mandatory tender and (iii) the maturity date of the Series 2007 Bonds while the Series 2007 Bonds pay interest at an Indexed Put Rate, interest will be computed on the basis of year of \$25.00 T Bonds and in the amounts calculated by the Credit Provider on the basis provided in the Credit Powider and the Payable on the dates and in the amounts calculated by the Credit Provider on the basis provided in the Credit Provider at the Purchased Bonds Rate, interest on such Bonds will be payable on the dates and in the amounts provided to the Trustee in writing, and provided further that while Series 2007 Bonds bear interest at the Purchased Bonds Rate, interest on such Bonds will be payable on the dates and in the Amended and Restated Indenture) on the basis provided in the Liquidity Parchaser (as defined in the Caudity Practity as a calculated by the Liquidity Parchaser (as defined in the Amended and Restated Indenture) on the basis provided in the Liquidity Facility, as provided to the Trustee in writing, along any other are at a rate greater than the Maximum Rate. The Trustee will calculate the amount of interest to be paid on each Interest Payment Date.

Indexed Park Bates

For indexed Park Bates

For indexed Park Bates Bonds, the Indexed Park Base Rate, the Applicable Spread, and the next
Indexed Park Date for any Indexed Park Bates Period will be cutabilished by the Remarketing Agent on the
date the Series 2000 March Bates Park Bates Period will be cutabilished by the Remarketing Agent on the
date of the Indexed Park Bate Bates on the Indexed Park Bate Bates

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The Remarketing Agent shall determine the Indexed Put Base Rate and Applicable Spread on the Conversion Date and on each Indexed Put Date and shall farnish to the Trustee and the City, no later than the Business Day next succeeding such Conversion Date or Indexed Put Date, the Indexed Put Rate by Electronic Means, promptly confirmed in writing. The Remarketing Agent shall determine the Indexed Put Rate Put Rate and on or before the day the Series 2007 Bonds are converted to the Indexed Put Rate and on or before each Indexed Put Date. In any case where an Indexed Put Date is not a Business Day, then such Indexed Put Date shall be deemed to be the next Business Day.

At any given time the Series 2007 Bonds may operate in only one interest rate period. The temarketing Agent will promptly advise, in writing, the Trustee, the Paying Agent and the City of all terest rates determined by it and, for Indexed Put Rate Bonds, the Index Put Base Rate, the Applicable

a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date. While the Series 2007 Bonds are Variable Rate Bonds, the City anticipates that it will cause the Series 2007 Bonds to be redeemed pursuant to the Indenture on August 1 of the years and in the principal amounts set forth below:

Year		Year	
(August 1)	Amount	(August 1)	Amount
2010	\$535,000	2024	\$1,060,000
2011	565,000	2025	1,120,000
2012	590,000	2026	1,170,000
2013	625,000	2027	1,230,000
2014	655,000	2028	1,290,000
2015	685,000	2029	1,355,000
2016	720,000	2030	1,425,000
2017	755,000	2031	1,495,000
2018	795,000	2032	1,570,000
2019	835,000	2033	1,650,000
2020	875,000	2034	1,730,000
2021	920,000	2035	1,820,000
2022	965,000	2036	0
2023	1.015.000	2037	2,005,000

A portion of the Series 2007 Bonds maturing on August 1, 2037, in the amount of \$1,910,000 is subject to mandatory redemption as provided in "Mandatory Redemption" below.

Mandatory Redemption. As a sinking fund, on August 1, 2036, the Trustee shall redeem \$1,910,000 of the Series 2007 Bonds maturing August 1, 2037, at a price of 100% of the principal amount of the Series 2007 Bonds to be redeemed plus accrued interest thereon to the redemption date.

Procedure for Redemption. The City will redeem Series 2007 Bonds as described in the 2007 Official Statement.

### AUTHORITY FOR THE SERIES 2007 BONDS

The Series 2007 Bonds have been authorized and are being issued pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1930, as amended (the "Virginia Code"), and Ordinance No. 42,565 adopted by the City Council on February 27, 2007 (the "Ordinance"). The Ordinance and sale of the City's general obligation variable rate demand bonds (AMT). The Ordinance No. 43,575 adopted by the City Council on August 25, 2009 (the "2009 Ordinance") and other control of the Common Commo

### THE LIQUIDITY FACILITY AND THE BANK

Concurrently with the original issuance of the Series 2007 Bonds, the City caused to be executed 
-and-delivered \*\*Standby\*\*Bond\*\*Purchase\*\*-Agreement\*(the \*\*LAquidity\*\*-Paelility\*\*)-between-the-City\* and 
Lloyds TSB Bank ple, acting through its New York Branch (the \*\*Bank\*\*). The Liquidity Faelility 
provides for the purchase, in accordance with the terms thereof of the Series 2007 Bonds which bear 
interest at the Daily Rate, Weekly Rate or Monthly Rate (each a \*\*Covered Rate\*\*) that have been

Spread, the Indexed Put Date and the Indexed Put Rate Period. Any determination of the Indexed Put Base Rate, the Applicable Spread, the next Indexed Put Date and the Indexed Put Rate Period is conclusive and binding on the City, the Trustec, the Paying Agent, the Remarketing Agent, the Credit Provider, the Liquidity Purchaser and the Owners of the Series 2007 Bonds. If for any reason the Remarketing Agent no longer determines or fails to determine, when required, the Indexed Put Base Rate and the Applicable Spread, and the Indexed Put Base Path are Provided for the Applicable Spread and the Indexed Put Base Path are pread or if for any reason such determinations are held to be invalid or unenforceable by a court of law, the Indexed Put Base Rate, the Applicable Spread and the Indexed Put Rate Period will be determined in accordance with the provisions of the Amended and Restated Indenture. See Appendix D - "Form of the Amended and Restated Indenture of Trust."

#### Conversion of Interest Rates

The interest rate on the Series 2007 Bonds is subject to Conversion to another interest rate mode, as set forth in the 2007 Official Statement.

#### Optional Demand Purchase of Index Put Rate Bonds

Index Put Rate Bonds are not subject to optional demand for purchase.

#### Mandatory Purchase of Indexed Put Rate Bonds

Series 2007 Bonds bearing interest at an Indexed Put Rate shall be subject to mandatory purchase as set forth in "DESCRIPTION OF THE BONDS - Mandatory Purchase of Bonds" in "PART I: THE BONDS" in the 2007 Official Statement.

#### Funds for Purchase of Bonds

On the date on which Series 2007 Bonds are delivered or deemed delivered for mandatory purchase, the Paying Agent will purchase such Series 2007 Bonds from the Owners thereof at the Purchase Price, Punds for the payment of such Purchase Price will be derived solely from the sources described in "DESCRIPTION OF THE BONDS" - Funds for Parchase of Bonds" in "PART I: THE BONDS" in the 2007 Official Statement.

Optional Redemption. The Variable Rate Bonds, including Indexed Put Rate Bonds, are subject imption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at

tendered, as provided in the Amended and Restated Indenture, but not remarketed subject to certain conditions as described in the 2007 Official Statement.

Information regarding the Liquidity Facility and the Bank is more fully described in the 2007 I Statement. Updated information regarding the Bank is attached as Exhibit E hereto.

### LEGAL OPINION AND TAX MATTERS

In connection with the original issuance of the Series 2007 Bonds, McGuireWoods LLP, Richmond, Virginia, acted as bond counsel ("Bond Counsel") and delivered an opinion dated March 29, 2007 (the "2007 Opinion") regarding the tax-exempt status of the Series 2007 Bonds. A copy of such opinion is set forth in Appendix B = "Form of Legal Opinion of Bond Counsel" of the 2007 Official Statement attached as Appendix A hereto, In connection with the reissuance of the Series 2007 Bonds, McGuireWoods LLP will deliver an updated opinion regarding the tax-exempt status of the Series 2007 Bonds. A form of such opinion is attached as Appendix C hereto.

### Opinion of Bond Counsel - Federal Income Tax Status of Interest

Bond Counsel's opinion will state that, under current law, interest on the Series 2007 Bonds (including any accrued "original issue discount" properly allocable to the owners of the Series 2007 Bonds) is excludable from gross income for purposes of federal income taxation (except when held by a "substantial user" of the facilities financed by the Series 2007 Bonds or by a "related user" within the meaning of Section 147(a) of the Code), is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is not included in the calculation of corporate alternative minimum tax able income.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Series 2007 Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Series 2007 Bonds for foderal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The City has covenanted, however, to comply with the requirements of the Code.

### Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the Series 2007 Bonds, Bond Counsel is relying upon certifications of representatives of the City, the Bank and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be astisfied after the re-issuance of the Series 2007 Bonds in order for interest on the Series 2007 Bonds to the control of the Series 2007 Bonds to the control of the Series 2007 Bonds to the and remain excludable from gross income for purposes of federal income teastion. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2007 Bonds and the use of the property financed or refinanced by the Series 2007 Bonds, limitations on the source of the puyment of and the

security for the Series 2007 Bonds, the obligation to rebate certain excess earnings on the gross proceeds of the Series 2007 Bonds to the United States Treasury. The tax compliance agreement contain covenants (the "Covenants") under which the City has agreed to comply with such requirements. Failure by the City to comply with their respective Covenants could cause interest on the Series 2007 Bonds to become includable in gross income for federal income tax upurposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2007 Bonds from becoming includable in gross income for Federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of re-issue of the Series 2007 B

#### Certain Collateral Federal Tax Consequen

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2007 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Series 2007 Bonds.

Prospective purchasers of the Series 2007 Bonds should be aware that the ownership of taxexempt obligations may result in collateral federal income tax consequences to certain taxpayers
including, without limitation, financial institutions, certain insurance companies, certain corporations
(including S corporations and foreign ecoporations), certain foreign corporations, certain foreign exporations, certain foreign ecoporations and
profits tax, "individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may
be deemed to have incurred or continued indebteness to purchase or carry tax-exempt obligations and
taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Series 2007 Boads, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made atter March 31, 2007, to any Bond owner who falls provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a fallular to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

The "original issue discount" ("OID") on any bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a bond is the initial offering price to the publie at which price a substantial amount of such bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations setting in the capacity of underwriters, placement agents or wolkbealaters. The issue price for each maturity of the Series 2007 Bonds is expected to be the initial public offering price set forth on the inside front over page of this formarketing Circulate, but is subject to change based on actual sales. OID on the Series 2007 Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes

### Possible Legislative or Regulatory Action

Legislation and regulations affecting tax-exempt bonds are continually being considered by the United States Congress, the U.S. Department of the Treasury ("Treasury") and the IRS. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt bonds. There can be no assurance that legislation enasted or proposed after the date of issue of the Series 2007 Bonds or an until initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving either the Series 2007 Bonds or other tax-exempt bonds will not have an adverse effect on the tax status or the market price of the Series 2007 Bonds or on the economic value of the tax-exempt status of the interest thereon.

### Opinion of Bond Counsel - Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the Series 2007 Bonds is exempt from taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the Series 2007 Bonds of (ii) any consequences arising with respect to the Series 2007 Bond under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the Series 2007 Bonds should consult their own tax advisors regarding the tax status of interest on the Series 2007 Bonds in a particular state or local jurisdiction other than Virginia.

### PENDING LITIGATION

The City, in the course of doing business, has been named as defendant in certain personal injury cases and suits for property damage.

These suits are being defended by the City Attorney and associated independent counsel retained by the City Attorney, and it is the opinion of the City Attorney that any possible losses in connection with the above pending litigation will not materially and advertey lafter the City's Intencial condition. The City Attorney is also of the opinion that the above pending litigation will not affect the validity of the Series 2007 Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of the Series 2007 Bonds or the hillip of the City to levy and collect and valorem taxes for the payment of the Series 2007 Bonds or the hillip of the City to levy and collect and valorem taxes for the payment of such Bonds or the premium, if any, or interest thereon.

### RATINGS

As of the original insuance of the Series 2007 Bonds on March 29, 2007, the Series 2007 Bonds were assigned long-term ratings of "As" by Moody's Investors Service, Inc. ("Moody's", "As" by Standard, & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's, Inc.") and "As" by Fitch, Inc. ("Fitch"), and short-term ratings of "Fit" by Fitch and "As" by Standard & Poor's, and "As" by Fitch, and short-term ratings of "Fit" by Fitch, and "As" by Standard & Poor's, and "As" by Fitch, and short-term ratings of "Fit" by Fitch, and "As" by Standard & Poor's, Inc. change in the short-term ratings of "Fit" standard & Poor's, Inc. and Standard & Poor's, Inc. and Standard & Poor's, Inc. and Standard & Poor's, Inc. The Carl with one of the Standard & Poor's, Inc. and Standard & Poor

of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of extrain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received each in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purposated in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accroed upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain 'qualified stated interest' that is unconditionally psyable at least annually an prescribed rates), that premium constitutes "bond premium" on that bond a "Premium Bond", In general, under Section 171 of the Code, an owner of a Premium Bond and the sum of the Premium Bond and the sum of the Premium Bond and the sum of the Premium Bond, etc. The constitute of the sum of the Premium Bond and the sum of the Premium Bond and the sum of the Premium Bond and the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-examp Premium Bond, if the bond premium allocable to that period. In the case of a tax-examp Premium Bond, if the bond premium allocable to that period. In the case of a tax-examp Premium Bond, if the bond premium allocable to that period the excess is a noneductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond over though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition conversible, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

The ratings reflect only the views of the respective rating agency at the time such ratings were assigned. Any explanation of the significance of the ratings may be obtained only from the respective rating agency. Generally, rating agencies base their ratings upon information and materials provided to them and upon investigations, studies and assumptions by the rating agencies. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's, Standard & Poor's or Firkh. Such action may have an adverse effect on the market price of the Series 2007 Bonds. The City has not undertaken any responsibility after the original issuance of the Series 2007 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

## FINANCIAL STATEMENTS AND OTHER INFORMATION REGARDING THE CITY

On May 21, 2009, the City issued its 555,280,000 General Obligation Capital Improvement Bonds, Series 2009A, \$21,895,000 General Obligation Refunding Bonds, Series 2009B and \$44,710,000 General Obligation Bond Anticipation Note, Series 2009C (collectively, the "Series 2009 Bonds"). Antached as Appendix B hereto is a copy of the Official Statement dated May 13, 2009 (the "2009) Official Statement") with respect to the offering of the Series 2009 Bonds. Updated information regarding the City, similar to the information provided in "PART III: FINANCIAL INFORMATION" in the 2007 Official Statement, is set forth in corresponding sections in the 2009 Official Statement. Investors are directed to review the updated operational and financial information with respect to the City set forth in Appendix B hereto.

The City's audited general purpose financial statements, including a report of the City's independent accountants for the Fiscal Year Ended June 30, 2008, are published in Appendix A to the City's 2009 Official Statement attached as Appendix B bereto, with accompanying notes.

### CONTINUING DISCLOSURE

The City has entered into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with respect to the Series 2007 Bonds, the form of which is set forth as Appendix C to the 2007 Official Statement, pursuant to which the City has covenanted and agreed, for the benefit of the holders of the Series 2007 Bonds to provide certain annual financial information and material event notices required by Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). As described in Appendix C to the 2007 Official Statement, such undertaking requires the City to provide only limited information at specified times. The City has previously undertaken to provide continuing disclosure in connection with other outstanding tax-enempt obligations, including the Series 2007 Bonds. To date, the City believes it has compiled with such undertakings in all material respects.

Any statements in this Remarketing Circular, including the Appendices hereto, involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. The attached Appendices A, B, C and D are integral parts of this Remarketing Circular and must be read together with all of the foregoing statements.

The summaries or descriptions of provisions of the Amended and Restated Indenture, the Liquidity Facility, and other legal instruments and all references to other materials not purporting to be quoted in full, are only berier oftlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is hereby made to such instruments, documents and other materials for the complete provisions thereof.

Any questions concerning the content of this Remarketing Circular should be directed to the City's Director of Finance, 600 City Hall Building, Norfolk, Virginia 23510, (757) 664-4346. The distribution of this Remarketing Circular has been duly authorized by the City which has deemed this Remarketing Circular final within the meaning of the Rule.

### CITY OF NORFOLK, VIRGINIA

/s/ Regina V.K. William City Manager	18
/s/ Alice Kelly	

-11-

NEW ISSUE Book-Entry-Only

## CITY OF NORFOLK, VIRGINIA

\$32,365,000 General Obligation Variable Rate Demand Bonds Series 2007 (AMT)

Dec. Appeal, 1,232.

The City of Norfech, Verginia propagat this Official Statement to provide information on its Bloods. This cover gain presents a summary of satisfacts information for your convenience and does not provide a complete decodption of the Bloods. This cover gain presents a summary of regarding the Bloods, you should read this Official Statement is its selfently.

The Expression

THE THE PROPERTY OF THE PROPER

The Books are general obligations of the City. See page 1. Liquidity for the payment of the parchase prior of Books instead for parchase by the owners thereof will be provided pursuant to a Standby Bond Parchase Agreement between the City and Linyth TSB Bank pic. See page 16.

See page 9, "DESCRIPTION OF THE BONDS - Redemption of Bonds" horin. Ordinance No. 42,565, adopted by the City Council of the City on February 27, 2007, authorizes the insurance of the Bonds. Authority for Issuance

The City will see these proceeds to (i) flasmos the acquisition, construction and equipping of an approximately \$0,000 square flost orisine ship create which will include decising areas and meeting 13000, to be current and operated by the City, and (ii) pay cours of imment of the Break. See page

The Bonds will bear interest at the Weekly Rate. See page 3. Interest

From the date of delivery until a Conversion Data, interest on the floods will be payable morthly on the first Business Day of each calendar month. Thereafter, interest shall be paid in accordance with the lookesture. See page 3.

Book-Entry-Only; The Depository Trust Company. See page 10.

Closing/Delivery Date On or about March 29, 2007. McGuireWoods LLP. Bond Counsel

Public Financial Management, Inc., Arlington, Virginia.

Morgos Kongas & Company, Inc., Richmood, Virginia. Financial Advisor

Underwriter's Counsel

Tender Agent/Treater

Liquidity Facility Provider Lloyds TSB think ple, using Grough its New York Branch.

Liquidity Facility Provider Nixon Feabody LLP, New York, New York, and Everyheds, Lendon, England.
Counsel

Issuer Contact Director of Finance of the City; (757) 664-4346.

MORGAN KEEGAN & COMPANY, INC.

APPENDIX A Official Statement dated March 22, 2007

CITY OF NORFOLK, VIRGINIA

CITY COUNCIL

Paul D. Fraim, Mayor

Anthony L. Burfoot, Vice Mayor Dawn S. Hester Paul R. Riddick

Dr. Theresa W. Whibley Donald L. Williams Barclay C. Winn W. Randy Wright

MUNICIPAL OFFICIALS

Regina V.K. Williams, City Manag Steven G. de Mik, Director of Finan Bernard A. Pishko, City Attorney

BOND COUNSEL

FINANCIAL ADVISOR

Public Financial Management, Inc. Arlington, Virginia

All gostations from, and summaries and explanations of, population of law and documents herein do not purport in he complete and reference is made to such have and documents for dail and conspicit statisticates of their previous. Any statements movel by the summaries of the sum

No dealer, broker, salesman or any other gerson has been authorized by the City to give any information or to make any representations with respect to the City or Bonds issued thereby, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon an having been authorized by the City.

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### OFFICIAL STATEMENT

Relating to the Issuance of

### City of Norfolk, Virginia

\$32,365,000 General Obligation Variable Rate Demand Bonds Series 2007 (AMT)

### PART I

The purpose of this Official Statement, including the financial information contained in Appendix A, masterd hereto, it to fierath information in connection with the sale by the City of Norfole, Veginia (the "Doy"), of it is \$32,355,000 General Obligation Variable Rate Demand Box Series 2027 (AAVIT) (the "Books"). The Books will be general obligation valuable Rate Demand Series 2020 (AAVIT) (the "Books"). The Books will be general obligations of the City to the payment of which the full faith and credit of the City are pledged. This Official Statement has been surhorized by the City for use in connection with the sale of the Books.

The City has undertaken in the Ordinance, as hreelnsther defined, to comply with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") and as in effect on the dath hereof, by providing armal flanancial information and material event notices required by the Rule. See Appendix C, "FORM OF CONTINUING DISCLOSURE AGREEMENT."

All financial and other information presented in this Official Statement has been provided by the City from its records except for information expressly attributed to other sources. The presentation of information is intended to above record historic information, and it not intended, undear specialisation is stated, to infinite format or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be regreated in the finance.

This Official Statement should be comidered in its entirety, and no one subject discussed should be considered less important than any other by reason of its location in the text. Reference should be made to leaw, reports or other documents referred to in this Urichial Statement for complete, information regarding their contents. In addition, reference should be made to Appendix D, "PCRM OF THE DURNITURE." For the offinition of terms not otherwise defining bearing.

### DESCRIPTION OF THE BONDS

NOTE. Upon delivery and until a Conversion Date, the Bonds will bear interest at the Weekly Rate. Initially, liquidity for the parament of the purchase price of Bonds tendered for purchase by the ownerst theory! will be provided a pursuant to a Standy Bond Purchase Agreement the "Laquidity Facility of the purchase by the purchase by the Purchase Bonds of Purchase Agreement the "Laquidity Facility will not permit by the Work Branch (the Romet). By its trent, the Liquidity Facility will not provide laquidity support or enhancement for Medium Term Rate Bonds or Fued Rate Bonds. Upon their delivery, the Bonds will not be supported by any Credit Facility (as defined in the Institutory or other type of credit or Fluidity Anahomement -[color-than-the-Liquidity-Facility, or mortification for the Rate Institution or Admits Liquidity Facility, or to provide a the Institution on Allernate Liquidity Facility in to provide a Credit Facility (alternate Credit Facility or Additional Credit Facility (each as defined in the

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Indenture) from time to time, subject to compliance with the terms of the Indenture. The following summary of certain provisions of the Bonds and the Indenture include descriptions of the several modes in which the Bonds may how interest from time to time in the City's discretion, novinthing that, spon delivery and with a Conversion Date, the Bonds will bear interest at the Weekly Bate. Parthermore, the following summary comins a description of certain provisions relating and Alternose Lipsdilly Facility, Credit Facility, Memary Credit Facility, and Additional Credit Facility, necessitissmenting that no such facility or specialistic (other than the Liquidity Facility provided by the Bank) will be in effect upon delivery of the Bonds.

### General

The Bonds will be dated the date of their initial delivery and will be payable at maturity, subject to pifor redemption. The Bonds will mature on August 1, 2037, and will be subject to optional and mandatory redemption and optional and mandatory redemed range purchase prior to maturity of adsceribed below. From the date of delivery until a Conversion Date, the Bonds shall bear interest at the Weekly Rea. Interest will be payable on May 1, 2007 and thereafter, in accordance with the Indentate, depending on the interest rate mode in which the Bonds are outransfing. See "DESCRIPTION OF THE BONDS—Interest on the Bonds" and Appendix Detecto. During any Dally Rule Period, Weekly Rule Period, Monthly Rule Period, Modilim Crem Rule Period or Communical Paper Role Period, be 5100,000. During may Flact Rate Period, the Bonds will be issuable in discominations of \$5,000 or any integral multiple thereof. The Bonds will be issuable unit be assemble sonals.

Bonds executed in exchange for or on the registration or transfer of Bonds will be dated as of the Interest Payment Date proceding the day of authentication thereof, unless the date of such unthentication is an Interest Payment Date to which interest on the Bonds has been paid in full or duly provided for, in which case they will be dated as of such Interest Payment Date.

Principal of and premium, if any, on the Bonda will be payable at the principal office of the Paying Agent. Payment of the principal of and premium, if any, on the Bonds will be made on the presentation and surresider of such Bonda as the same will become due and payable. For not interest on each blood will be made by the Paying Agent on the Record Data proceedings as the payable payable. The payable payable payable payable payable payable payable payable payable Payment Data, by Check malled to such Owner at the celebration of the Registrar or at such other address as it appears on the registration both Registrar.

Payment of interest on the Bonds may (except as otherwise provided for Purchased Bonds), at the option of any Owner of Bonds in an aggregate principal amount of at least \$1,000,000, be attainment by with transfer to such Owner, on written respect therefor delivered to the Registrar, to the bank account number on file with the Registrar as of the relevant Record Date. Principal or redemption price of and interest on each Commercial Paper Bond with be payable by these handled or, if presented and surrendered by 12:09 p.m. New York City time, by wite transfer) on presentation and surrender on such Bond on or after the due dues for such payments at the pixelical officior of the Psyling Agent.

2

#### Interest on the Bunds

Interest on the Rends

General. The Bonds will initially bear interest at the Weekly Rate. Each Bond will evidence
the right to receive interest, at a Variable Rate or a Medium Term Rate, determined from time to time,
or at a Fried Rate, from and including the date of such inconcidence with the provisions of the
enterprise pick to the manufacture. The second of the secondaries with the provisions of the
enterprise pick to maintainly, on redemption or otherwise. Interest for each interest of will be
paid on the next succeeding lotterest Psyment Date. While the Bonds pay interest at a Variable Rate,
interest with be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual
number of days clapsod, while the Bonds pay interest at the Medium Term Rate or the Fixed Rate,
interest with be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual
number of days clapsod, while the Bonds pay interest at the Medium Term Rate or the Fixed Rate,
interest with be computed on the basis of a year of 366 or 366 days, as appropriate, for the actual
while any Bonds pay interest at the Credit Provider Rate, interest on such froms will be payable on the
dates and in the amounts accolated by the Cradit Prictive that while Bonds bear interest at the
Purchased Bonds Rate, interest on such Bonds will be payable on the dates and in the amounts provided in
the Liquidity Facility, as provided to the Trustee will interest at introduction to the
basis provided in the Liquidity Facility, as provided to the Trustee will calculate the amount
of interest to be paid on such lotterest Psyment Date.

Interest Rates. Interest rates will be determined for Commercial Paper Bonds, Dully Rate Bonds, Weekly Rate Bonds, Medium Term Rate Bonds and Flood Rate Bonds in the following manner.

Commercial Paper Bunds. For each Commercial Paper Bond, the interest rate will be that annualized rate catalished by the Remarketing Agent on or before 12:10 p.m., New York City time, on the first sky of the related Commercial Paper Period where the restance of the related Commercial Paper Bond, the interest rate setablished from time to time by the related Commercial Paper Bond on the related Commercial Paper Bond on the related paper Period at the related paper Bond on the Remarketing Agent Related Commercial Paper Period due to the Remarketing Agent Period on must be a Bundson Dut Bond on the Remarketing Agent Period on the Remarketing Bond Period Ones Date Bond on the Remarketing Bond Period Ones Date Bond on the Remarketi

Daily-Rate-Bondy: For Daily-Rate-Bondy, the interest-rate for any-Daily-Rate-Pariod will be the rate established by the Remarketing Agent by 11:50 a.m. New York City time on each Business Day which is equal to the minimum rate of interest necessary, in the best professional judgment of the

unenforceable by a court of law, the interest rates will be determined by the Trustee in accordance with the Indenture. See Appendix D - "Form of the Indenture."

The Trustee will give notice by first class small to the Owners not less than 25 days before the Conversion Date notifying the Owners of the Conversion and related matters as required by the Indenture. See Appendix D "Form of the Indenture." A copy of the notice of Conversion given to Owners by the Trustee will be given by Electronic Means to the City, the Bank and each Rading Agency than rading the Board.

### Optional Demand Purchase of Bonds

Daily Rate Bonds. Any Daily Rate Bond will be purchased, on the demand of the Owner thereof, on any Business Day designated by the Owner thereof (s "Parchase Date"). Any such purchase the utility of the Parchase Date"). Any such purchase the utility of the Parchase Date", and you can be a such as the part of the Trustee (st its designated office) not later than 10:00 a.m., New York City Time, on the Parchase Date and must (A) state the number and principal amount (or position thereof in an Analosa Demonisation) of such Daily Rate Board to premiaban! (b) just the "Parchase Date on which such Daily Rate Board to (C) irreveably request such purchase.

Breakly Rass Bender, Menthly Rate Rende. Any Weekly Rate Bond or Monthly Rate Bond will be purchased, on the demand of the Owner threeof, on any Business Day designated by the Owner thereof (a "Purchase Date") which is not less than seven days after the date entice of said demand is delivered in writing to the Trustee. Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustee that designated office) not later than the sevent day before the Purchase Date and must (Ny state the number and principal smoons) reportion thereof in an Authorized Demonstration of such Weekly Rate Bond or Monthly Rate Bond, as

Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount hereoff, plus accrued interest, if any. The Daily Rate shall be effective on the day of its determination to, but not including, (a) the date of determination of a new Daily Rate or (b) the next Conversion Date. The Remarketing Agent shall determine a perliminary Daily Rate or each Business Day by no later than 10:00 a.m. New York City time on such day. The preliminary Daily Rate shall be the minimum interest rate for such day, if a day is not a Business Day, then the Daily Rate shall be the Daily Rate determined for the immediately preceding Business Day.

Weekly Rate Bonds. For Weekly Rate Bonds, the interest rate for any Weekly Rate Period will be the rase established by the Remarketing Agent on the first day of such Weekly Rate Period which is the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent by the state in the secondary instance of the Agent taking in the secondary instance on the date such rate is set at a price equal to the principal amount thereof; plus account interest, I supp.

Fixed Rate Bonds, For Fixed Rate Bonds, the Interest rate will be an annual rate established by the Remarketing Agent on to before the Fixed Rate Conversion Date which is the minimum fixed interest rate necessary, in the best prefersional judgment of the Remarketing Agent, taking into account prevailing market conditions, to enable the Remarketing Agent to sell all of the Bonds in the secondary market at a price cought to the priorical amount thereof.

Monthly Rate Bonds. For Monthly Rate Bonds, the interest rate for any Monthly Rate Period will be the rate established by the Remarketing Agent on the first Business Day of such Monthly Rate Period, which is the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price qual to the principal amount of the Bonds in the secondary market on the date such rate is set at a price qual to the principal amount where the properties of the secondary market on the date of the secondary market on the secondary marke thereof, plus accrued interest, if any.

Medium Term Rate Bonds. For Medium Term Rate Bonds, the interest rate for any Medium Term Rate Period will be the rate established by the Benutzeting Agent on the first Business Days of such Medium. Term Rate Period, which is the minimum rate of interest nocessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any. For each Medium Term Rate Bond, each Purchase Date and the related Medium Term Rate Period for will be established by the Remarketing Agent on or before the first day of each Medium Term Rate Period for which, in the best professional judgment of the Remarketing Agent, taking into account prevailing market conditions, will enable the Remarketing Agent to crossked all of the Bonds is the secondary market on the date such rate is set, provided that Medium Term Rate Period may not extend beyond a Convertion Date.

At any given time the Bonds may operate in only one interest rate period. The Remarketing Agent will promptly advise in writing the Trustee, the Paying Agent and the City of all interest rate determined by it and, for Medium Term Bats Bonds and Commercial Paper Bonds, all interest Periods, principal amounts, Owners and Furchase Dates. Any determination of an interest rate and, in the case of Commercial Paper Bonds, determination of each Purchase Dates, the next Rate Agultument Dates and the related Commercial Paper Feriod will be conclusive and binding on the City, the Tustee, the Paying Agent, the Remarketing Agent, the Creation Flower for the City of the City, the Tustee, the Paying Agent, the Remarketing Agent, the Creation Flower for the City of th

the case may be, to be purchased, (B) state the Purchase Date on which such Weekly Rate Bond will be purchased, and (C) irrevocably request such purchase.

Medium Term Rate Bonds. Any Medium Term Rate Bond will be purchased, on the demand of the Owner thereof, on the last Interest Payment Date in the Medium Term Rate Period therefor (ach Purchase Date). Which demand falls into be less than 14 days prior to such Purchase Date. Purchase Date, Purchase Date and must (a) state the number and principal amount (or portion thereof in an Authorised Denomination) of such Medium Term Rate Bond to the purchased, (3) antest the Purchase Date most which such Medium Term Rate Bond visit be purchased purchased, (4) antest the Purchase Date not such such Medium Term Rate Bond visit be purchased purchased, (4) antest her purchase Date not purchase the purchase Date not an authorised purchase the purchase Date not an authorised purchase and the purchase Date not an authorised that the Medium Term Rate Bonds are subject to tender of the Owner thereof as set forth in the preceding sentence.

The Trustee will groundly provide the Remarketing Agent and the Paying Agent with telephonic notice of the receipt of the notice referred to in the preceding paragraphs, confirmed in twining or by facinities. Any Daily Rass Bond, Weekly Rass Bond, Menthy Rass Bond or Medium Term Rate Bond with regard to which domand is made as set forth in the Indenture will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond or Medium Term Rate Bond from a superceipt and the surface of the Parkets Point of the Compared of the Purchase Point of the Purchase Poi

### Mandatory Purchase of Bonds

Commercial Pager Bonds: Each Commercial Paper Bond will be purchased, or deemed purchased, on the Rate Adjustmost Date following the then current Commercial Paper Period relating to such Commercial Paper Bonds and the Open Bonds of Parchase Date; at the Purchase Price. All Commercial Paper Bonds will be deemed to have been inserted for portchion on each Rate Adjustment Date with respect therefore the purchase of the Purchase Price and Paper Bonds and Paper Bonds are the Paper Bonds of the Parchase Price to the Trustee) at the designated office of the Trustee at or price to 1000 a.m., New York (Ty Time, on the Rate Adjustment Date enquired for payment in same-day founds of the Purchase Price due on such Rate Adjustment Date. No Owner will be entitled to payment of the Purchase Price deen on such Rate Adjustment Date. No Owner will be entitled to payment of the Bonds. If, lowever, an Owner of Commercial Paper Bonds such Bonds for successive Commercial Paper Periods, the Owner, on presentation of the Bonds, will receive interest and a new Commercial Paper Period, the Owner, on presentation of the Bonds, will receive interest and a new Commercial Paper Bonds of Bonds for the next Commercial Paper Period with no exchange of cach in payment of the pricipal thereof except to the extent the principal amount surrendered.

On Conversion Dates. On any Conversion Date with respect to any Bonds, whether or not a Conversion occurs (or in each case the next Business Day, if not a Business Day) (a "Purchase Date"), and Honds must be delivered to the Trustee for purchase (with all nocessary endorsements) at the Purchase Price. All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in form antificatory to the Trustee su the designated office of the Trustee as or before 1600 a.m., New

York City Time, on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds.

rises one on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on 1906 Purchase Date except upon surrender of such Bonds.

\*\*General Explanation Date.\*\* If a Credit Facility or Liquidity Facility is in effect, the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price on later than the Credit Explanation Date of either an extension of the them existing Credit Facility or Liquidity Facility or the issuance of an Additional Credit Facility or Hammar Liquidity Facility or the issuance of an Additional Credit Facility or Hammar Liquidity Facility, as the case may be, meeting the requirements of the Indenture. The Trustee will cause the Bonds to be purchased solidy from the sources described below in "Purchase Price and English and the Credit Facility or Liquidity Facility and the Liquidity Facility and the Credit Facility or Liquidity Facility and Indenture. The Trustee will cause the Bonds to be purchased solid will be subject to mandatory tender to the Trustee for purchase at the Purchase Price on the date set forth in aid notice. After such notice is given, the Bonds will thereather the subject to mandatory tender to the Trustee for purchase at the Purchase Price on the date set forth in the notice (a "Furchase Data"). All Bonds will be embedded to have been tendered for purchase can onally Purchase Date with expect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in blant form satisfactory to the Trustee) at the designated office of the Trustee are opinion to 300 am. New York City time, on the Purchase Date with the required for payment in same-day fonds of the Purchase Price due on such Purchase Date with the required for payment in same-day fonds of the Purchase Price due on such Purchase Date with the subject to purched to purchase to the purchase of the Purchase Price due on such Purchase Date with the Such as a purchase of the Purchase Price due on such Purchase Date with the Such as a such as the Su

change as result of such substitution.

\*\*Upon Natice of Event of Default under the Credit Facility or Liquidity Facility.\*\* If a Credit Facility or Liquidity Facility is in effect and the Trustee receives written notice from the Credit Provider that an event of default under the Credit Facility has occurred and is continuing or from the Liquidity Pacility. The Credit Facility has occurred and is continuing, and in either cases, and directing the Trustee to call the Bonds for manifestry tender, then the Trustee will set manifestry tender date to occur no later fasts the fift calcander day following the challenges of the manifestry tender date to occur no later fasts the fift calcander day following the challenges will set manifestry tender date to occur no later fasts the fift calcander day following the challenges will be manifestry to the contract of the Credit facility of the Cred

### Redemption of Bonds

### Optional Redemption

Variable Rate Bonds. The Variable Rate Bonds are subject to redemption at the direction of fo City, in whole at any time or in part on any Interest Payment Date, as a redemption spire equal to a principal amount hereof plus accurate interest, if any, to the redemption atas. While the Bonds as Variable Rate Bonds, the City anticipates that it will cause the Bonds to be redemed pursuant to it Indienture on August 1 of the years and in the principal amounts set forth below.

Year	Amount	Year	Amount
08/01/08	\$ 485,000	08/01/23	\$ 1,015,000
08/01/09	515,000	08/01/24	1,060,000
08/01/10	535,000	08/01/25	1,120,000
08/01/11	565,000	08/01/26	1,170,000
08/01/12	590,000	08/01/27	1,230,000
08/01/13	625,000	08/01/28	1,290,00
08/01/14	655,000	08/01/29	1,355,00
08/01/15	685,000	08/01/30	1,425,00
08/01/16	720,000	08/01/31	1,495,00
08/01/17	755,000	08/01/32	1,570,00
08/01/18	795,000	08/01/33	1,650,00
08/01/19	835,000	08/01/34	1,730,00
08/01/20	875,000	08/01/35	1,820,00
08/01/21	920,000	08/01/36	1,910,00
08/01/27	965,000	08/01/37	2,005,00

### Total 5\_32,365,000

Fixed Rate Bonds or Medium Term Rate Bonds. During any Medium Term Rate Period or Fixed Rate Period, the Bonds are subject to optimal redemption by the City, on or after the Fixed Optional Redemption Date, in whole or in part at any time, less than all of such Bonds to be selected by lot or in such other manters at the Tratter or the City, as applicable, shall determine, on the redemption dates and at the redemption prices (expressed as percentages of principal amount) to be determined by the City on or point of the Conversion Date commencing such Medium Term Rate Period or Fixed Rate Period provided that such prices do not reflect a redemption premium exceeding 3%.

<u>Purchased Bonds or Credit Provider Bonds</u>. Purchased Bonds owned by the Liquidity Facility Provider or Credit Provider Bonds owned by the Credit Provider as a result of a purchase under the Liquidity Pacility or Credit Facility, as the case may be, are subject to redesigned as the option of the City in whole or in purt on the second Business Day after notice to the Liquidity Purchaser or the Credit Provider, as the case may be, at a redengation price quality to the principal amount thereof plus insets thereon as provided in the Liquidity Facility or Credit Facility, as applicable. Purchased Bonds and Credit Provider Bonds are subject to mandatory redengation at such times and in such amounts as specified in the related Liquidity Facility or Credit Facility, as the case may be.

Mandatory Redemption. The Bonds are not subject to mandatory sinking fund redemption.

Selection of Bonds to be Redeemed. In the event of redemption of less than all the Bonds identified by the City as being subject to optional redemption, as provided in "DESCRIPTION OF THE

#### Funds for Purchase of Bonds

Except for mandatory purchases of Bonds on a Credit Expiration Date or upon a Notice of Event of Default under the Credit Facility or the Liquidity Facility, on the date on which Bonds are delivered or demond delivered for penchase, the Paying, Agent will purchase such Bonds from the Owners thereof at the Purchase Price. Funds for the payment of such Purchase Price will be derived solely from the following sources in the order of priority indicated and nather the City, the Purchase Agent, the Trustee nor the Remarketing Agent will be obligated to provide funds from any other source:

- (a) Remarketing Proceeds;
- (b) proceeds derived from a drawing under the Credit Facility, if the Credit Facility provides for such a drawing, or proceeds derived from a drawing under the Liquidity Facility;
- (c) other Available Moneys held by the Paying Agent or the Trustee and available for such purpose; and
  - (d) to the extent that the foregoing are insufficient, moneys provided by the City.

If funds from the source described in subsection (a) above are not sufficient to provide for the Purchase Pricco of all Bonds delivered or deemed delivered, the Trustee will, no later than 10.70 a.m. New York City time on each Purchase Date, draw on the Credit Facility or the Liquidity Facility, as applicable, in accordance with the terms thereof to purchase the Bonds delivered or deemed delivered for purchase to cassure timely payment of the Purchase Price of the Bonds on the Purchase Date.

[Remainder of Page Left Intentionally Blank]

BONDS – Redemption of Bonds," the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may determine; provided, however, the portion of such Bonds to be retained by the Owner thereof shall be in the principal amount of an Authorized Danomination for the Interest Rate Period to which such Bonds are then subject, and provided further, novolvalisating any provision of the Indenture to the contrary, any Bonds which are Purchased Bonds or Credit Provider Bonds shall be excited first. New Bonds representing the unredeemed balance of the principal amount of any such Bonds and the principal surface of the Provider Bonds shall be timed to the registered Owner thereof, without charge therefor. Any new Bonds or Bonds are the Bonds are the provided by the City and submittained by the Bond Registers and shall be in any Authorized Denominations in an aggregate simpled principal amount equal to the unredeemed portion of the Bonds surrendered.

### Procedure for Redemption.

Procedure for Redemption.

The City will give written notice in accordance with the Indenture to the Trustee and Bond Registers of its election or discretion to redeem the Bonds at least thirty-five (25) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. Notice of redemption of the Bonds shall be mailed or caused to be mailed, postage prepails, by the Trustee (1) not less than thiry (30) days before the date fixed for redemption of Bonds, which have not been converted to a Fixed Interest Rate, so the registered owners of any Bonds or portions of Bonds, which have been converted to a Fixed Interest Rate, so the registered owners of any Bonds or portions of Bonds, which have been converted to a Fixed Interest Rate, so the registered owners of any Bonds or portions of Bonds, which have been converted to a Fixed Interest Rate, so the registered owners of any Bonds, which registered to the registered owners of any Bonds, which have been duly selected from the Registered owners of any Bonds, which have been duly selected for redemption and which are deemed to be paid in accordance with their terms, shall cases to be a interest on the date fixed for redemption in the notice of redemption relative to such Bonds.

### Book-Entry Only System

The Boech will initially be issued as fully registered Variable Raire Bonds without coupons, in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof, and will initially be registered in the mone of Code & Co., as nomines for the Depointery Trust (Company, New York York ("DTC"). The City may, in its sole discretion and without the consent of any other Person terminate the services of DTC with respect to Variable Rait Bonds under the circumstance describes in the Indentures. See Appendix D – DEFINITIONS AND SUMMARY OF THE INDENTURE."

The information pertaining to DTC and its policies and procedures set forth in this section has been obtained from sources that the City and Morgan Kregan & Company, Inc., (the "Underwriter") believe to be reliable, but neither the City, the Bank nor the Underwriter takes any responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Code & Co. (DTC's partnership nominer) or such other name as may be requested by an authorised representative of PTC. One fully-registered excititates the bissued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the fork Banking Law, a "banking organization" within the meaning of the New York Banking Law, ther of the Federal Reserve System, a "clearing corporation" within the meaning of the New York

Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1924. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in desposited securities; through electrosic computerized book-entry transfers and plodges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. "Direct Participants' include both U.S., and novel.25, securities brokers and dealers, banks, trust companies, clearing coeporations and certain other organizations. DTC is a wholly-owned subsidiately of The Depository Trust and Clearing Corporation, Securities DEFECT, in turn, is owned by a number of its Direct Participants of DTC and Members of the DEFECT DTCC, in turn, is owned by a number of its Direct Participants of DTC and Members of the DEFECT DTCC, in turn, is owned by a number of its Direct Participants of DTC and Members of the DEFECT DTCC, and the National Association of Securities Clearing Corporation, Excellent Securities Clearing Corporation Securities Clearing Corporat

Truchues of Boods under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTCs records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants records. Beneficial Owners will not receive written confirmations from DTC offerir purchase. Beneficial Owners will not receive written confirmations providing feetalite purchase. Beneficial Owners are, however, expected to receive written confirmations providing feetalite purchase. Beneficial Owner are, however, expected to receive written confirmations providing feetalite purchase. Beneficial Owner are, however, expected to receive written confirmations providing feetalite purchase the purchase the purchase of the transaction. Transfers of ownership interests in the Bonds are to be accomplished by curricum ands on the bodies of Direct and Indeed Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that tue of the bonds in discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTCs partmenthip nomines, Code & Co., or such other name at may be requested by a matherized representative of DTC. The deposit of Bonds with DTC and their contents in the name of Code & Co. or such other nomines do not effect any change in beneficial contents dip. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC; broad or beneficial contents dip to the bonds; DTC; broad or beneficial contents dip to the bonds; DTC; broad or beneficial contents dip to the bonds; DTC; broad or beneficial contents dip to the bonds; DTC; broad or beneficial contents in the Bonds; broad or beneficial contents. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and Indirect Participants and Indirect Participants and Indirect Participants to Beneficial Contexts will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Code & Co. (nor such other DTC menines) will consent or vote with respect to Hords unless subhorates by a Disace Fancingum's accontance with DTC's procedures. Understand unless subhorates by a Disace Fancingum's accontance with DTC's procedures. Understand unless procedures, DTC mails as Commission Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Code & Co.'s consenting or voting rights to those Direct Participants to

COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

THE CITY, THE UNDERWRITER, THE BANK AND THE REMARKSTING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT OF THE HONOR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT OF THE PROPERTY OF THE ANY DIC PARTICIPANT OF ANY AND THE PROPERTY OF THE PROPERTY OF THE ANY DIC PARTICIPANT OF ANY AND THE PROPERTY OF THE P

### Remarketing Agent

The Remarketing Agent will use its best efforts to remarket Bonds to be purchased on a Purchase Date pursuant to the Indenture; provided, however, that with respect to any Bonds which have been called for redomption, such Bonds must be accompanied by a cosy of the notice of redominant will only be remarketed to a purchaser who acknowledges that such Bonds have been called for redomption and will be redoemed on the date stated in the notice. All such sales will be at a price equal to the principal amount thereof plus accrued interest thereon, if any.

On each Purchase Dote, the Remarketing Agent will give notice to the Trustee, the City, the Paving Agent, the Liquidity Purchaser and the Credit Provider in accordance with the terms of the Indext. Bear the Trustee will then draw on the Credit Provider in accordance with the terms of the Indext. Bear the Trustee will then draw on the Credit Pacility or the Liquidity Facility to per Parchase Price of the unremarketed Boods. On each Purchase Date, the Remarketing Agent will remain to the Tender Agent the Remarketing Proceeds of Roose that have been remarketed, and such amount will be immediately deposited in the Remarketing Proceeds Account. If the Paying Agent does not receive notice from the Remarketing Agent in accordance with the Indexture on the applicable Propur Date, the Paying Agent shall immediately notify the Trustee and the Trustee shall draw on the Credit Facility or the Liquidity Facility, as applicable, to pay the Purchase Price of the Bonds for which the Remarketing Agent does not have Remarketing Proceeds on hand.

Remarketing Agent does not have Remarketing Proceeds on hand.

Revisithantanding the foregoing, the Bonds may be remarketed only when (1) a Credit Facility or Liquidily Facility, as applicable, providing for the purposent of the Parchase Price of the Bonds in the applicable Coverage Amount will be in effect following the remarketing of such Bonds or (2) the Bonds will be converted to a Froot Rate or Medium Term Rate and such Bonds will be rated Investments Grade by any Rating Agency rating such Bonds immediately following such remarketing. Bonds purchased by the Paying Agent from the date on which of a notice of Conversion is given through the Conversion Date will not be remarketed except to a boyer who acknowledges at the time of such purchase that the Bond is subject to repurchase on the Conversion Date. The Interest rate on any Commercial Paper Bond not remarketed pending Conversion will be determined to have successive Commercial Paper Bond on temperature of the Conversion and the Conversion of the Co

whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal or purchase price of, premium, if any, and interest payments on the Bonds will be made to Code & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Diverse Participants' accounts, upon DTC's received of finds and corresponding detail information from the City on the payable date in accordance with their respective boldings above on DTC's crooch. Psyments by Participants to Beneficial Owners will be governed by standing instructions and customary printices, as is the case with securities held for the accounts of customers in bearer form or registerie on "preter name," and will be the responsibility of such Participant and not of DTC or the City, subject to any stantogy or regulatory requirements as may be in effect from time to time. Psyments of redemption proceeds, principal and interest to Code & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of payments to Direct Participants' is the responsibility of DTC, and disbursement of such payments to Direct Participants' is the responsibility of DTCs and disbursement of such payments to Direct Participants' is the responsibility of DTCs and disbursement of such payments to the Deneficial Owners will be the repossibility of DTCs and disbursement of such payments to the Deneficial Owners will be the repossibility of DTCs and disbursement of such payments to the Deneficial Owners will be the responsibility of DTCs.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances in the event that successor securities depository is not obtained, or critificates for the Bonds are required to be printed and

The City may decide to replace DTC with a successor securities depository or to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In the event that the book-entry system is discontinued, in the event that a two-entry system is discontinued, in the event that a uncessor securities depository is not identified, certificates for the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City and the Underwriter believe to be reliable, but the City and the Underwriter take no responsibility for the accuracy thereof.

The City the Underwriter, the Bank and the Remarketing Agent have no responsibility or obligation to the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to (0) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant (ii) the payment by any Direct Participant or any Indirect Participant of any notice to any Beneficial Owners which its required or permitted to be given to Owners of the Rooks, diversity of the Indirect Participant of the Indirect Partici

THE CITY, THE UNDERWRITER, THE BANK AND THE REMARKETING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DIC PARTICIPANTS WILL DISTRIBUTE TO RESPECTAL OWNERS (I) PAYMENTS OF PENCIPAL, REDEWITON OR PURCHASE PRICE OF, OR INTEREST ON THE BONDS, (II) CERTIFICATES REPRESENTING AN OWNESSIRP INTEREST OR OTHER CONFRANCTION OF BENEFICIAL OWNESSIRP INTERESTS IN THE BONDS, OR (III) REDEMPTION OR OTHER NOTICES SENT TO DITC OR THE SHOPP OF THE STATE OF THE PARTICIPATION OF THE PA

Facility, as the case may be, by its terms automatically reinstates to the Coverage Amount without

### Registration, Transfer and Exchange of Bonds

The City will cause books for the registration and registration of transfer or exchange of the Boods to be kept at the principal office of the Bond Registrar. The City appoints the Bond Registrar as its registrar and transfer agent to keep such books and to make registrations and registrations of transfer or exchange under such reasonable regulations as the City or the Bond Registrar may prescribe.

Upon surrender for registration of transfer or exchange of any Bond at the principal office of the Bond Registrar, the City will execute and the Bond Registrar will sushenicate and deliver in the mane of the transferor or transferes a new Bond or Bond of like date, teron and of any authorized denomination for the aggregate principal amount which the Owner is entitled to receive, subject in each case to such examonable regulations as the City or the Bond Registrar may presertibe. All Bonds presented for registration of transfer, exchange, redemption or payment will be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and substance transcealty satisfactory to the Bond Registrar, dayl executed by the registered Owner or by the Owner's dolly authorized attorney-in-fact or legistered control.

New Bonds delivered upon any transfer or exchange will be valid obligations of the City evidencing the same debt as the Bonds surrendered and entitled to their benefits to the same extent as the Bonds surrendered. Registration of transfers or exchange will be made by the Bond Registrar within such time periods as are customary in the municipal securities industry.

Neither the City nor the Bond Registrar shall be required to (i) to transfer or exchange Bonds for a period of 20 days next preceding an interest payment date on such Bonds or next preceding any selection of Bonds to be received or threadther until after the mailing of any notice of redemption; or (ii) to transfer or exchange any Bonds called for redemption.

### AUTHORITY FOR AND PURPOSES OF THE BONDS

The Bonds have been authorized and are being issued pursuant to the Public Fisance Act of 1991; Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), and Ordinance No. 42,565 adopted by the City Council on February 27, 2007 (the "Ordinance"). Ordinance multiprizes the issuance and sale of up to \$33,000,000 in general obligation variable rate demand boats (Annual Public Aller).

### PLAN OF FINANCE

The proceeds of the Bonds will be used (i) to finance the acquisition, construction and equipping of an approximately 80,000 square foot cruits abip center, which will include docking areas and meeting space, to be owned and operated by the City, and (ii) to pay the costs incurred in connection with the issuance of the long.

#### SOURCES AND USES

owing table sets forth the anticipated application of the proceeds of the Bonds for the

Sources of Funds: Par Amount of Bonds	\$ 32,365,000
Total Sources	\$ 32,365,000
Uses of Funds: General Capital Fund Issuance Expenses	\$ 32,300,379.31 64,620.69
Total Uses	5 32,365,000

#### SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

#### General

The Bonds are general obligations of the City for the payment of which the City's full faith and credit are inrevoesby pledged. While the Bonds remain outstanding and suppaid, the City's Causelli and anthorized and required to levy and collect annually, at the same time and in the same names and tracts of the City are assessed, levied and collected, a tax upon all trasshe properly within the City, or and above all other taxes anthorized for intained by they, and without limitation as to use or amount, sufficient to pay when due the principal of, premium, if you, and intends on as to the control of the floods to be extent other floods of the City are not lawfully westlifted and appropriated for each purpose.

The City has never defaulted in the payment of either principal of, or interest on, any indebted

#### Liquidity Facility

Pursuant to the terms of the Liquidity Facility, the Bank will provide liquidity for the payment of the Purchase Price of Boxds tendered for purchase by the Owners thereof. See "THE LIQUIDITY FACILITY AND THE BANK."

#### Bondholders' Remedies in Event of Default

Bendholders' Remedies in Event of Default

Section 13.2-2659 of the Virginia Code provides that upon affidavit of any owner, or any
paying agent therefore, of a general obligation bond in default as to payment of principle or interest, the
Governor of the Commonwealth of Virginia (the Commonwealth of the political
stablishies as in default and apply the amount so withhold to payment of the defaulted principal and
interest. The State Comprehend and sixes that to date no order to withhold fined pursuant to Section 15.2-2659, or its predocessors, Sections 15.1-225 and 15.1-227.61, has ever been issued. Although
state of the Commonwealth of the Commonwealth pursuant to one of its predocessors,
Section 15.2-2659, in the finest aper eneed Just 20,200,000, the Commonwealth pursuant to one of its predocessors,
Section 15.2-255, in the finest aper eneed Just 20,200,000, the Commonwealth pursuant to one
the City which war deposited in the City's General-Fund.

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Available Interest Commitment (calculated without giving effect to any purchase of Eligible Bonds by the Bands on such dash) at 1600 a.m. on such Purchase Date and (b) the actual aggregate amount of interest benefit on each such Eligible Bond to bet excluding such Purchase Date. Any Eligible Bonds so purchased shall thereupon constitute Bank Bonds and shall, from the date of such purchase and while they are Bank Bonds, here interest at the Bank Rate and have other characteristics of Bank Bonds as set forth in the Liquidity Facility, the Indenture and in the Bonds.

If, on any Purchase Date during the Purchase Period, pursuant to an optional tender or mandato tender for purchase, the Bank receives not later than 12:00 acon, New York City time, a Notice of Ball Purchase from the Trustee, the Bank shall, subject to the conditions set from the Lequilier transfer to the Trustee not later than 2:00 p.m., New York City time, on such Purchase Date of the Interest of the Control of the Contro

UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN, THE OBLIGATION OF THE BANK TO PURCHASE THE BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED WITHOUT NOTICE. SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE THE BONDS TENDERED BY THE REGISTERED OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE. THE LIQUIDITY FACILITY DOES NOT GUARANTY THE PAYMENT OF PURCHASE THE BONDS IN THE EVENT OF NON-PAYMENT OF SUCH INTEREST, PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, ON THE BONDS IN THE EVENT OF NON-PAYMENT OF SUCH INTEREST, PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, BY THE CITY.

### **Events of Default Permitting Immediate Termination or Suspension**

(1) The City shall fail to pay when due any principal of, or interest on, any Bond (including any Bank Bond); or

any Bank Bondj; or

(2) (a) The City shall commence any case, preceding or other action (i) under any existing or future law of any jurisdiction, domentics or foreign, staking to hardroghty, insolvency, recognization or future law of any jurisdiction, domentics or foreign, staking to hardroghty, insolvency, recognization is absolved, or social programment, and the respect to it, or seeking to adjudicate it in substopped in subsequence, or sociality programments, any amaginement, adjustantement, vinding-up, logidation, dissolution, composition or other relief with respect to it, or seeking to declare a monotonium with respect to the Bonds or any Parity Obligations, or (ii) seeking appointment of a receiver, truster, caustions or other similar efficial for it or for all or any substantial part of its assets or the City shall make a general assignment for the benefit of its excidence; or (b) there shall be commenced against the City any case, proceeding or other action of a nature referred to in clause (a) above which (1) results in an order for such relief or in the appointment of a receiver or similar efficient or (ii) remains unstaintant, expecting any control of the contr

(3) (a) Any-provision-of-the-Aeta-the-Liquidity-Facility, the Ordinance, the Indenturr, the Bonds or any Parity Obligations relating to be purposent of the principal of or interest on the Bonds (including any Bank Bonds) or any Parity Obligations or the security therefor shall at any time and for

Although Virginia law currently does not authorize such action, future legislation may enable the City to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code") if it is insolvent or unable to pay in debta. Bankruptcy proceedings by the Clip could have adverse effects on the Bondholders, including (1) delay in the enforcement of their remedies, (2) subordination of their clination to climate the clination to climate of their content of their proceedings and to the administrative expenses of bankruptcy proceedings or (2) imposition without their concent of a recognization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provident intended to currie under the content of their content

#### THE LIQUIDITY FACILITY AND THE BANK

The Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Furious words or terms used in the following summary are defined in this Official Statement, the Uniquity Facility or he Indiance, and reference thereto is used for full understanding of

In accordance with the Indenture, the City will cause to be executed and delivered simultaneously with the issuance of the Bonds the Liquidity Facility providing for the purchase, in accordance with the terms thereof, of the Bonds which bear interest at the Dolly Rate, Westly Rate or Monthly Rate (each a "Covered Rate") that have been tendered, as provided in the Indenture, but not remarked subject to certain conditions below. The Bonds held by the Bank shall bear interest at the Bank Rate in accordance with the Liquidity Facility, "Eligible Bonds" are defined as any Bond bearing interest at a Covered Rate and which are not Bank Bonds or Bonds owned by or held on behalf of, for the benefit of or the account of, the City or any affiliate of the City.

The obligation of the Bank pursuant to the Liquidity Facility of provide funds for the purchase of Eligible Bonds that have been tendered and not remarked shall be effective on the date of delivery of such Bonds (the "Effective Due") and the analysis of the Company of the C

Subject to the terms and conditions of the Liquidity Facility, the Bask agrees from time to time during the Commitment Period to purchase, with immediately available funds, Eligible Bonds at the Purchase Price on the Purchase Date. The aggregate principal amount (or portion thereof in decominations authorized by the Indeenate or any integral multiple thereof) of any Eligible Bonds at the purchased on any Purchase Date, and, in any case, the aggregate principal amount of all Bonds purchased on any Purchase Date, and, in any case, the aggregate principal amount of all Bonds then Outstanding, and the Application of the Purchase Date, together with the aggregate principal amount of all Bonds then Outstanding, all not exceed the Available Purchase Date, and the portion of the Purchase Price constituting accrued interest on such Eligible Bonds shall not exceed the Issuer of (a) the

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any reason cease to be valid and binding on the City as a result of federal or state legislative action, or shall be railed or found by any court of competent jurisdiction over the City, to be stull and void, invalid or studied to the control of the City of the City, to be studied and void, invalid or the control of the City of

- (4) Filed, SeP and Moody's shall have (a) assigned the Bonds or any Parity Obligations a long-term traing below "BBB.", in the case of Filed, "BBR." in the case of SeE, and "Basa", in the case of Moody's, (b) withdrawn their long-term strings of the Bonds or any Parity Obligations for cerditated reasons and not as a result of debt entering termination of the factors or (c) purpose the term ratings of the Bonds or any Parity Obligation for cerditated reasons and not as a result of select term ratings of the Bonds or any Parity Obligation (a) the Bonds or any Parity Obligation (b) the Bonds or any Parity Obligation (b) the Bonds or any Parity Obligation (c) term ratings of the Bonds or any Parity Obligation (c) term ratings of the Bonds or any Parity Obligation (c) the Bonds of the Bonds or any Parity Obligation (c) the Bonds or any Parity Obligation (c) terminated (c) the Bonds of the Bonds or any Parity Obligation (c) terminated (c) the Bonds or any Parity Obligation (c) terminated (c) the Bonds or any Parity Obligation (c) terminated (c) terminated (c) terminated (c) terminated (c) the Bonds or any Parity Obligation (c) the Company (c) the Bonds or any Parity Obligation (c) the Company (c) the Company (c) the Company (c) the Bonds or any Parity Obligation (c) the Company (
- (5) The City shall fail to pay when due and payable (whether by schoduled maturity, rec prepayment, demand or otherwise) any Parity Obligations, or any interest thereon, and such failure continue beyond any applicable period of grace specified in any underlying resolution, indenture, or or instrument providing for the creation of or concerning such Parity Obligations.

### Events of Default Not Permitting Immediate Termination or Suspension

- (A) The City shall fail to pay when doe any amount owed to the Bank pursuant to specified sections of the Liquidity Facility (other than amounts described under "Events of Default Permitting Immediate Termination or Suspension"); or
- (B) The City shall fall to pay any amount owing under specified sections of the Llquidity y (other than those referred to in paragraph (A) above) within three (3) Business Days after the shall become due; or
- (C) Any representation or warranty made by or on behalf of the City in the Liquidity Facility the Indenture or in any other Related Document or in any certificate or statement delivered under said documents shall be incorrect or untrue in any material respect when made or deemed to have been made
- (D) The City shall default in the due performance or observance of any of the covena forth in specified sections of the Liquidity Facility; or

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- (E) The City shall materially default in the due performance or observance of any other term, coverand or agreement contained in the Liquidity Facility (other than those referred to in paragraphs (A), (B), (C) and (D) above), the Indenture or any other Related Document and such default shall remain unremndied for a period of thirty (19) days after the City shall have received notice thereof; or
- (F) One or more final unappealable judgments against the City or the security for the Bonds as described in the Indenture for the payment of money, and not covered by insurance, or attachments against the property of the City or the security for the Bonds as not to the same extent described in the Indenture, the operation or result of which individually or in the aggregate, equal or exceed \$10,000,000 shall remain suspaid, undischarged, unbonded or undismissed for a period of thirty (30) days.

Following the occurrence of certain of the above referenced Events of Default, the Bank may take any one or more of the following actions, among others. Reference is made to the Liquidity Facility for a complete listing of all consequences of Events of Defaults.

- (a) In the case of any Event of Default specified in paragraphs 1, 2, 3(a), 3(b), 4 and 5 described above under the heading 'Events of Default Permitting Immediate Termination or Suppension', each, a "Special Event of Default," he Available Commitment shall immediately be reduced to zero, in which case the obligations of the Bank to purchase Eligible Bonds under the Liquidity Faisility shall immediately terminate and expire without requirement of notice by the Bank; provides, however, that notwithstandings the foregoing, an Event of Default not constituting a Special Event of Default shall be deemed to have occurred pursuant to Section 3(a) benefit of and to the extent that the provisions of any Parity Obligations issued unbecapent to the Effective Date case to be valid and binate of the state of the section of the sect
- hald have no effect on the validity or enforcability of path termination or expiration.

  In the case of an Event of Default as specified in paragraph 3(c) or 3(d) described above under the heading "Event of Default Permitting Immediate Termination or Suspension" (each, a "Suspension Event"), the obligation of the Bank to purchase Eligible Bonds under the Liquidity Facility Shall be immediately suppended without notice or demand and, threat in entirated as described below; obligation to purchase Eligible Bonds until reference and and the entire instituted as described below; eligible to provide the summary of the suppension of the summary of th

"Available Interest Commitment" means an amount equal to \$372,420 (which amount equals 15 days' interest on the Available Principal Commitment for the Bondit based upon an assumed rate of interest of 12,00% per ansum and a 365-day year for the actual number of days elapsed), as such amount stall be adjusted from time to time as follows: (A) downward by an amount that bests the same proportion to such amount as the amount of any reduction in the Available Principal Commitment, and cacedance with classes (a) or (b) of the definition herein of Available Principal Commitment, bears to the initial Available Principal Commitment; and (B) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment, in accordance with clause (c) of the definition herein of Available Principal Commitment, in accordance with clause (c) of the definition herein of Available Principal Commitment, and the available Principal Commitment, and the available Principal Commitment, to accordance with clause (c) of the definition herein of Available Principal Commitment, and the available Principal Commitment, and the available Principal Commitment of the available Principal Commitment, and the available Principal Commitment of the available Principal Commitm

"Available Principal Commitment" means initially the aggregate principal amount of the Bonds Obetstanding of \$32,365,000 and, thereafter, means such initial amount adjusted from time to time as follows: (a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the Liquidity Facility (b) downward by the principal amount of any Bonds pursuant to the Bank pursuant to the Liquidity Facility (a) downward by the principal amount of any Bonds pursuant by the Bank pursuant to the Liquidity Facility by the Remarketing Agent and for which the Bank Ober and the Sacratic Part of the Part o

"Bank Boot" means each Bood purchased by the Bank pursuant to the Liquidity Facility and held by or for the account of the Bank or a subsequent Bank Owner in accordance with the terms of the Liquidity Facility, until purchased or retained in accordance with the Liquidity Facility or redeemed or otherwise paid in full.

"Bank Owner" means the Bank (but only in its capacity as owner (which, at used herein, shall mean beneficial owner if, as the relevant time, Bank Bonds are Book Entry Bonds) of Bank Bonds pursuant to the Liquidity Facility or any other person to whem the Bank or a subsequent Bank Owner has sold Bank Bonds in accordance with the Liquidity Facility.

"Conversion Date" means the date none of the Bonds bear interest at a Cove

"Defaulted Interest" means accrued interest on the Bonds which was not paid when due under the terms of the Indonture or any amounts accruing on amounts owed on the Bonds by reason of such amounts being not paid when due.

"Default Tender" means a mandatory tender of the Bonds as a result of the Bank's delivery of a Notice of Termination Date to the Trustee.

"Parity Obligations" means other debt, including bonds (excluding the Bonds), now or her Outstanding; provided that such debt is secured by the full, faith and credit of the City as and to the described in the indenture.

"Purchase Price" means, with respect to any Eligible Bond, as of any, date, 100% of the grincipal amount of such Eligible Bond plus (if the Purchase Date is not an Interest Payment Date) acrowd and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment;

not binding on the City or that a claim or challenge described in paragraph 3(d) shall have been opheld in favor of the Commonwealth or the City in accordance with a final and nonappealable judgment, then, in each such case, the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall immediately terminate without socioe or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on such an Event of Delian shall find or not the yearsty of a final and nonappealable judgment that the provision of the Act or any other document described in paragraph 3(c) is valid and binding on the City or that the claim or shallow described in paragraph 3(d) shall have been dismissed pursuant to a final and snonappealable described in paragraph 3(d) shall have been dismissed pursuant to a final and snonappealable shall, in each such case, thereupon be reinstated (onless the Commitment Period shall case provided in the Liquidity Period of the State of the State of the State of the State of the suspension of the State of the State of the State of the suspension of the State of the State of the State of the State of the suspension of the State of the State of the State of the State of the suspension of the Bank provided in the City of the State of the Obligation of the Bank of the State of the State of the State of the City of the State of the City of the State of the State of the City of the State of

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  (c) Upon the commencement against the City of my involuntary case or other proceeding or the occurrence of any event which, with the lapse of time, the giving of notice, e don't, would constitute as a Event of Default specified in puragraph 2, described and management of prefault and accordant Termination are object to prefault and the Constitute of Default specified in a superior of the Constitute of
- express or been terminated in accordance with its terms) as at three half been no such inspension.

  (d) Upon the occurrence of any Event of Definit, the Bank shall have all remodics provided at law or equity, including, without limitation, specific performance; and in addition, the Bank, in its sole discretion, may do one or more of the following: (i) the Bank may give written notice of such Event of Default and termination of the Lequidity Facility (a "Novice of Termination Date") to the Trustee, the City and the Remurketing Agent requesting a Default Tender; provided, that the obligation of the Bank has purchase Eligible Bonds shall terminate on the thirtiest (10th) day (of it should day in ord stituted by the Trustee Bonds on such date, the Available Commitment shall terminate and the Bank shall be under no obligation on such date, the Available Commitment shall terminate and the Bank shall be under no obligation of the purchase Eligible Bonds; (ii) require immediate purchase of Bank Bonds by the City; (iii) conservation of the Liquidity Periodity Commitment and the Bank shall be under no obligation of the City (iii) servation of the City (iii) control of the City (iiii) control of the City (iii) control of the City (
- (e) In the case of each Suspension Event, the Tender Agent shall immediate Boothsiders of the suspension saidor termination of both the Available Commitment and of the Bank to purchase Eligible Bonds.

#### Certain Defined Terms

"Available Commitment" as of any day means the sum of the Available Principal Comm and the Available Interest Commitment, in each case, as of such day.

provided, however, if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but uspaid interest on such Eligible Bond, and provided, further, in no event shall the Purchase Price of any Bond include any premium owed with respect to any Bond or any Defaulted Interest in the excess of any amount specified in the Liquidity Facility.

"Related Documents" means the Liquidity Pacility, the Fee Letter, the Bonds, the Official Statement, the Indenture, the Ordinance, the Remarketing Agreement and any other document or instrument related to the issuance of the Bonds.

The Bank is a wholly-owned subsidiary of Lloyds TSB Group pie ("LTSB Group"). The Bank and its subsidiaries (the "Bank"s Croup") comprise one of the leading United Kingdom-based financial services groups, whose businesses provide a wide range of banking and financial services in the United Kingdom and overselves.

At the end of 2005, total consolidated assets of LTSB Group were approximately £310 billion. The total number of persons employed by LTSB Group and its subsidiaries was approximately 70,000.

The main business activities of the Bank's Group during 2005 are described below:

### UK Retail Banking and Mortgages

UK Retail Banking and Mortgages provides banking and other financial services, private banking, areckbroking and mortgages to 15 million personal customers in England, Scotland and Wales.

### Insurance and Investments

Insurance and Investments offers life assurance, pensions, and investment products, general insurance and fund management services in the United Kingdom.

### sale and International Banking

The Bank's Group's relationships with major United Kingdom and multinational companies, banks and institutions and small and medium-sized United Kingdom businesses, together with its activities in financial markets, are managed through deficated offices in the United Kingdom and a number of locations overnean, including New York and Tokylo.

The Bank's Group provides banking, investment and other financial services overseas in two main areas: (i) The Americas (including the international bank agency of the Bank in Miami, Florida)\* and (ii) Europe and Offshore Banking.

### Availability of Public Information

The Bank will provide, upon request, to each person to whom this Official Statement is delivered a copy of the most recently available (i) annual Report and Accounts of LTSB Group for the lineal year ended December 31, 2005 (ii) Annual Report on Ferm 2007 of LTSB Group. Written requests should be directed to the Bank at 1251 Avenue of the Americas, 39th Floor, New York, New

On February 22, 2006, LTSB Group announced that the Bank size. Closing of the sale is subject to regulatory approvals.

York 10020; Attention: Structured Finance. Additional information (including a full copy of such Report and Accounts) is available from the LTSB Group web site at http://www.investoreslations.lloydstb.com

Certain Dischimers. The information contained in this subcaption entitled "THE LIQUIDITY FACILITY AND THE BANK.—The Bank" relates to and has been obtained from the Bank. The information concerning the Bank contained herein is furnished solely to provide limited introductory information regarding the Bank and does not purpor to be comprehensive. Such information regarding the Bank and does not purpor to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced above.

The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this subcaption entitled "THE LIQUIDITY FACILITY AND THE BANK — The Bank' is correct as of any time subsequent to its date.

#### LEGAL OPINION AND TAX EXEMPTION

### Opinion of Bond Counsel—Federal Income Tax Status of Interest

Bond Counsel's opinion will state that, under current law, interest on the Bonds (including any accrued "original issue discounts" properly allocable to the owners of the Bonds) is excludable from gross income for purpose of foderal isome castamin (escape) when held by a "pushastatial user" of the facilities financed by the Bonds of by a "related user" within the meaning of Section 147(a) of the Cocle) but that instructs on the Bonds is a specific item of tax preferences for purposes of the foderal alternative minimum tax imported on individuals and corporations (a "Specific Tax Preference Item"). See Appendix B hereto.

Bond Counsel will express no opinion regarding other federal tax consequences urising with respect

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precodent, and represent Bond Counsel's adaptement as to the proper treatment of interest on the Bonds for fine and expression Bond Counsel's judgment as to the proper treatment of interest on the Bonds for fine fine and an advantage of the Bond Counsel's adaptement as the proper fine and advantage fine fine Bond Counsel's opinion does not contain on provide any opinion for fine advantage fine fine advantage of the Bonds for the B

#### Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the Boods, Bond Coursel is relying upon certifications of representatives of the City, the Underwitter, the Bank and other persons as to facts material to the opinion, which Bond Coursel has not independently verified.

In addition, Bond Coursel is assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issumes of the Bods in other for interest on the Bonds to be and remain excludable from gross income for purposes of federal income standars. These required include, by way of example and not intuitation, restricted or estimated to the proceed of the Bonds and the use of the purpose. The property of the Bonds inclinations on the source of the purposes of and the security for the Bonds, the obligation to rebate certain excess earnings.

consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the account of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collesteral federal and Virginia income tax consequences aithough the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accraining under a constant yield method that takes into account conspounding on a reminerated or more frequent basis. If an OID Blond is node or otherwise disposed of between entinemant compounding gates, then the OID which would have accrued for that seminerated or otherwise disposed for federal income tax purposes is to be apportioned in equal amounts among the day in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (finelding its sale, redeepsidon or promote present amounts). The amounts received upon such disposition that are arthribable to accrued OID will be excluded from the gross income of the recipirum for federal income tax purposes. The accrual of OID band its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the sithal offering at the initial offering price may be determined according to rules that differ from those disscribed above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

### Road Premium

Bindh Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise
at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition
date (excluding certain "quimium over the sum of all amounts payable on the bond after the acquisition
date (excluding certain "quimium continues" bond premium" on that bond (a "Premium Bond, bond on the sum of all amounts payable at least annually at
premium Bond, determined based on, an owner of a Premium Bond and permium
over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the
Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must
amountie the bond premium by offsetting the qualified stated interest allocable to each interest account
in the case of a tax-exempt Premium Bond, if the bond premium allocable
in the case of a tax-exempt Premium Bond, if the bond premium cases is a nondoductible loss. Under
the qualified stated interest allocable to that accuma payer realizes a taxable gain upon disposition of the
certain circumstances, the owner of a Premium Bond count that own tax advisors,
regarding the treatment of bond premium Bond success is a nondoductible loss. Under
the premium Bond on the proposition of the premium Bond count that own tax advisors,
regarding the treatment of bond premium for foleral income tax purposes, including various special rules
realizing thereto, and state and local tax connegentors, in connection with the acquisition, ownership,
amontization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### Possible Legislative or Regulatory Action

Legislation and regulations affecting tax-exempt bonds are continually being considered by the United States Congress, the U.S. Department of the Treasury ("Treasury") and the IRS. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt bonds. There can be no assummed that Lightistion ensented or proposed after the date of lisuse of the Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving either the Bonds or other enforcement or regulatory action taken by the Treasury or the IRS involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax statum or the market price of the Bonds or on the economic value of the tax-exempt status of the interest thereon.

on the gross proceeds of the Bonds to the United States Treasury. The tax compliance agreement contain coverants (the "Coverants") under which the City has agreed to comply with such requirements. Failure by the City to comply with that respective Coverants could cause timester on the office to includable in gross income for faderal income tax purposes restancingly, which they are considered to the contract of the contract of the coverants, the contractive contractive coverant of concernprisence with the Coverants, the contractive coverant contractive coverants and the contractive coverant coverant coverants are contracted to the coverant coverant coverant coverants cov

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

#### Certain Collateral Federal Tax Consequence

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purpor to address all aspects of federal taxasion that may be relevant to a particular owner thereof. Prospective purchasers of such Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownerthip of tax-exempt obligation may result in collateral federal income tax consequences to certain axpayers including, without limitation, financial institutions, certain insurance companies, certain corporations under corporations (including Scorporations and foreign corporations), certain foreign corporations subject to the "breach positis tax, individual recipients of Social Security or Railnead Retirement benefits, taxayyers who may be deemed to have incurred or continued indebtdents to purchase or carry tax-exempt obligations and taxayayer attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, iax exempt obligations, including the Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on inxable obligations. Additionally, backup withholding may apply to any such payments made after March 31, 2007 to any Bond owner who fails to provide an accurate Form. W-P. Requires for Transparel HealthEasten Number and Certification, or an interest and extending the same control of the same co

### Original Issue Discount

Original Issue Discount

The "original Issue discount" ("OID") on any Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified attactd interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a Bond is the initial annually at prescribed rates) over the issue price of such bonds of the united sold. The "public of the price an include the price and the price and the price and the price of a Bond is the initial sold. The "public developed the price and the price of the price and the price and the price and the price of the price and the price of the price and the price of the pric

### Opinion of Bond Counsel-Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the Bonds is exempt from taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arining with respect to the Bonds of (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the Bonds should consult their own tax devicors regarding the tax status of interest on the Bonds in a particular state or local jurisdiction other than Virginia.

### PENDING LITIGATION

The City, in the course of doing business, has been named as defendant in certain personal injury cases and suits for property damage.

There suits are being defended by the City Attorney and associated independent countel retailed by the City Attorney, and it is the opinion of the City Attorney that any possible losses in councerion with the above pending litigation will not materially and adversely affect the City's financial condition. The City Attorney is also of the opinion that the above pending litigation will not be compared to the City at the City

### RATINGS

The City has requested that the Bonds be rated and has furnished certain information to the rating agencies including information that may not be included in this Official Statement. The Bonds have been assigned long-term ratings of "Al' by Mondy's Inventors Service, inc. (Mosody's)", "AA" by Standard & Poor's Ratings Services ("Standard & Poor's), a division of The McGraw-Hill Companies, Inc., and "AA" by Fisch, inc. ("Fisch"), and short-term rating or "Pit" by Fisch, and "A-1" by Fisch, inc. ("Fisch"), and short-term rating on the Bonds from Moody's.

The ratings reflect only televal of the respective rating agency. Any explanation of the significance of the ratings may be obtained only from the respective rating agency. Any explanation of the significance of the ratings may be obtained only from the respective rating agency. Generally, rating agencies. The rating agencies are studies and assurations by the rating agencies. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's, Standard & Poor's or Fish. Such action may have an adverse effect on the market price of the Bonds. The City has not undertakin any responsibility after the issuance of the Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

### FINANCIAL STATEMENTS

The City's audited general purpose financial statements for the Fiscal Year Ended June 30, 2006, are published in Appendix A with accompanying notes. In addition, Appendix A also includes a report of the City's independent accountants.

### CERTIFICATES OF CITY OFFICIALS

Concurrently with the delivery of the Bonds, the City will furnish (1) a certificate, dated the date of delivery of the Bonds, signed by the officers who sign the Bonds, stating that, to the best of their

knowledge, no litigation is then pending or threatened to restrain or anjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay principal, premium, if any, or interest thereon or in any manner questioning the proceedings and sundrivity until Bonds are inseed and (2) a certificate death of the date of delivery or the confidence of the date of delivery or the confidence of the proposal for the proposal for the proposal city of the confidence of the proposal for the proposal for the confidence of the proposal for the Bonds and at the date of delivery were and are true and contract in all insulating trapects and of the confidence of the proposal for the Bonds and at the date of delivery were and are true and correct in all insulating trapects and do not contain any surpruse statement of a material fact or omit to juste any material fact required to be stard therein or necessary to make the statements therein, in light of the circumstances under which they were made, not mislending.

The City Attentey will furnish, concurrently with the delivery of the Bonds, a certificate dated the date of delivery of the Bonds and the concurrently with the selection of the Bonds and the concurrent of the Bonds (2) to restrain or rejoin the issuance of the Bonds, (2) to question is any manner the authority of the City to issue or the issuance of the Bonds, or the validation any proceedings authoriting the Bonds or the Livy or observe the issuance of the Bonds, or the validation any proceedings authoriting the Bonds or the Livy or collection of taxes to pay the Bonds or (3) to question in any manner the boundaries of the City or the title of any officers of the City to their respective officers.

#### UNDERWRITING

Morgan Keegan & Company, Inc., Richmond, Virginia (the "Underwriter") expects to enter into a Bend Purchase Agreement to purchase the Bonds at a price equal to one handred percent (100%) of the original principal amount thereof less as Underwriter's discount of \$52,850 or, 19%, of the principal amount of the Bond, as consideration for its purchase of the Bonds and its Client expensed in connection with the initial offering of the Bonds. The Underwriter will commit to spenshes of 10 bends if any of such Bonds are purchased. The obligation of the Underwriter to purchase the Bonds will be subject to the satisfaction of certain terms and conditions sat forth in the Bond Funchase Agreement. The Underwriter will also serve as the Remarketing Agent for the Bonds purchase a Remarketing Agreement with the City.

#### LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bands will be subject to the approving opinion of McGuire Woods LLP, Richarond, Virginia, Bond Coussel, which will be furnished at the expense of the City yeap delivery of the Bends, is solid opinion; and the state of the Appendix B to this Official Statement (the "Bond Opinion"). The band opinion was test forth as Appendix B to this Official Statement (the "Bond Opinion"). The band opinion was the state thereon as described under "LEGAL OPINION AND TAX NEWTON'S Bond Coussel has not been engaged to investigate the financial resources of the Monda XEMPTION." Bond Coussel has not been engaged to investigate the financial resources of the State Stat

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### MISCELLANEOUS

This Official Statement and any advertisement of the Bonda are not to be construed as a contract with the purchasers of the Bonda. Any statement made in this Official Statement involving mattern of opinion or of estimates, whether or not se expressly identified, are zet forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The references herein to and summaries of Federal, Commonwealth and City laws, including but not limited to the Constitution of the Commonwealth, the Viginia Code, the City Charter and documents, agreements and count decisions are summaries of certain provisions thereof, summaries of propositions thereof, assummaries of propositions of the Collection are summaries of certain provisions thereof, assummaries of propositions of exclusions, as a summaries of certain provisions thereof the City Attorney.

Justices hours at the citize of the City Attorney.

Any questions concerning the content of this Official Statement should be directed to the City's Director of Finance, 600 City Hall Building, Norfolk, Virginia 23510, (757) 664-4346. The distribution of this Official Statement has been duly authorized by the City which has deemed this Official Statement final within the meaning of the Rule.

CITY OF NORFOLK, VIRGINIA

/s/ Segina V.K. Williams City Manager /s/ Steven G, de Mik
Director of Finance

#### RELATIONSHIP OF PARTIES

Kaufman & Canoles, P.C. is serving as counsel to the Underwriter and the Remarketing Aj connection with the issuance of the Bonds. McGuireWoods LLP also has represented derwriter in unrelated transactions.

#### FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc. of Arlington, Virginia, as Financial Advisor in connection with the issuance and sale of the Bonds. Although Public Financial Management, Inc. has assisted in the preparation of this Official Statement, Public Financial Management, Inc. is not obligated to undertake, and has not undertaken on make, an independent varification or to assume responsibility for the accuracy, completeness or fainess of the information contained in this Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

#### CONTINUING DISCLOSURE

The City will execute and deliver to the purchasers of the Bonds a Continuing Disclosure Agreement, the form of which is set forth as Appendix C to this Official Statement, pursuant to which the City will coverant and agree, for the benefit of the holders of the Bonds to provide certain difficuncial information and material event notices required by Rule 15c2-12 of the Securities and Exchange Commission ("the Rule"). As described in Appendix C, such undertaking requires the City to provide only limited information at specified times.

The continuing obligation of the City to provide annual financial information and notices referred to above will terminate with respect to the Bonds when the Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the Bonds. With regards to the past five years, the City is in compliance with the requirements set forth in the Rule.

[Remainder of Page Left Intentionally Blank]

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### PART II CITY INDEBTEDNESS

### Limitation on Incurrence of Debt

Pursuant to the Constitution of Virginia (the "Constitution"), the City is authorized to issue bonds and notes secured by a pledge of its full faith and credit and millimited taxing power. There is no requirement in the Constitution, the Virginia Code or the City Charter that the issuance of general obligation bonds of the City he subject to approval of the election of the City at referradism. The issuance of general colligation bonds in subject to initiation of 10% of the anessed value of taxable

At June 30, 2006, the total assessed value of taxable real property in the City was \$12,601,527,668. Based on Virginia's constitutional debt limitation formula, this resulted in a debt limit of \$1,269,125,767. As persented in Table II.1, the City's outstanding general obligation bonds and other tax-secured indebtedness as of June 30,2006, was \$478,467,461 representing 37,709% of the constitutional debt limit.

Table II-1 City of Norfolk, Virginia Computation of Legal Debt Margin June 30, 2006

\$12,691,527,668 Debt Limit-10 percent of total assessed value .... 1.269.152.767 Outstanding General Obligation Debt Legal Debt Margin .... Amount of debt as a percent of debt limit...... Source: Comprehensive Annual Financial Report for the Year Ended June 30, 2006.

Notes:

(1) Defeased bonds totaling \$55,435,000 are not included in gross debt. Funds to redeem these bonds have been irrevocably

- (1) Inclinate loods racing \$53.53,500 are not included in gress delt. Funds to redeem these books have norn revewency deposited with mercures agent.

  (2) Reflects only bounded delts and does not include the Cuy's capital lesse obligations. See Table II-8 for information about the Cuy's capital neer obligations.

  (3) The amount of general obligations books authorized by ordinance, but not insued for Cupital improvement Projects in \$137,844,200.

  (4) Water Receivers Books and Parking System Reversor Bonds are scaleded from gress delts, since these bonds are payable.

  (5) The amount of general obligation books authorized by ordinance, but not insued for Cupital Improvement Projects in \$137,844,200.

  (5) Water Receivers Bonds and Parking Systems Reversor Bonds are scaleded from gress delts, since these bonds are payable.

  (6) Water Receivers Bonds and Parking Systems Reversor Bonds are scaleded from gress delts, since these bonds are payable.

  (7) Include the 20-20 are scaleded from gress delts, since these bonds are payable.

  Redevelopment and Housing Authority in August 1996. The bonds names on August 15, 2015.

  (8) Includes the 20-20 are \$11,000,000 accounts of the Brood Creek Rennissance TIF Disn'ss, which maters on August 1, 2023.

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### Debt Outstanding

The tables that follow detail the City's current general obligation debt outstanding. Table II-2 presents the City's gross and not outstanding tax-supported and self-supporting general obligation bonded indebtedoess as of June 19, 2006. Table II-3 provised a comparative statement of key debt ratios for the past ten fiscal years and Table II-4 presents the rate of retirement for all general obligation bonds as of June 19, 2006. Table II-3 presents the rate of retirement for all general obligation bonds as of June 19, 2006. Table II-3 presents the recent historical relationship of the City's are to restore a fixed years. Table II-4 properly and not bonded debt per capita. Table II-7 provides a statement of future annual debt service requirements on the City's eating general obligation bonds.

# Table II-2 City of Norfolk, Virginia

	General Obligation Debt Statement (1) (Il-tl							
		As of June 30, 2006						
Out	standing Debt							
Α.	General Fund Bonds Outstanding Debt (notion) Net Tax-Supported Bond Indebtedness	\$385,368,339 \$385,368,339						
B.	Enterprise Fund Bonds Outstanding Debt Net Enterprise Fund Bond Indebtedness	\$ 93,099,122 \$ 93,099,122						
C.	Total General Obligation Bond Indebtodness (A+B) Debt	\$478,467,461 \$478,467,461						

Source: City of Norfolk, Virginia.

- Source: City of Verlolls, Verjoin.

  Notes:

  (1) The amount of general subligation bonds archerized by ordinance, but not inseed for Capital Improvement Projects is \$152,944,055.

  (2) Water Revenue Donds and Porting System Revenue Bonds are excluded from gross delet, since these bonds are purphle saidly from the revenue of their response convergence activities.

  (2) Water Revenue Donds and a third bank of the Capital Insert ediligations. See Table III-8 for information about the Capital Insert ediligations. See Table III-8 for information about the Capital Insert ediligations. See Table III-8 for information about the Capital Insert ediligations. See Table III-8 for information about the Capital Insert ediligations. See Table III-8 for information about the Capital Insert ediligation in neuron again.

  (3) Includes the bonds date of the Etern Water Fund which was conversed on July 1, 1994, from an asterprise find to it special revenue find.

  (3) Includes the bonds date of the Etern Water Fund which was conversed on July 1, 1994, from an asterprise find to it special revenue find.

  (3) Includes the bond of Henning's Authority is August 1997. The South more on August 13, 2013.

  (3) Includes the 2019 are 15 Honling's Authority is August 1997. The South more on August 13, 2013.

  (3) Includes the 2019 are \$1,000,000 Section (10) Lean with H7ID supported by the Broad Creek Resistance TIF Distract, which mitures on August 13, 2023.

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Fiscal Year Ended June 30	Total Debt <u>Service</u> (1)	Total General Expenditures (2)	Percent of Debt Service to Total General Expenditures
1997	\$49,768,887	\$313,658,972	9.69%
1998	54.163.228	499,746,145	10.84
1999	49,744,700	519,198,080	9.58
2000	32,627,625	558,439,186	9.42
2001	55,926,333	578,776,772	9.66
2002	53,484,013	431.283.578	12.40
2003	53.258.272	451,633,988	11.79
	55,000,425	490.944,275	11.20
2004	58,971,773	490.923,834	12.01
2005	62,710,385	510,999,836	12.28

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 10, 2006.

Notes: (1) Includes delt service on general obligation bonds and capital leases payments supported by the General Fund.
(2) Total general expenditures are presented using the modified acrosed busin of accounting.

Table II-3 City of Norfolk, Virginia Key Debt Troods Fiscal Years 1997 - 2006

Fiscal Year Ended June 30	Gross Bonded Debt (0.00.00	Gross Bonded Principal Outstanding Per Capita (6)	Percent of Gross Bonded Debt to Real Property Assessed Value
1997	\$539,425,001	\$2,349.41	7.30%
1998	546,935,001	2,410,47	7.18
1999	508,805,001	2,254.34	6.41
2000	488,351,541	2,083.38	6.03
2001	468,445,246	1,997.63	5.54
2002	460,345,861	1,970.66	5.18
2003	460.876.270	1,970.40	4.93
2004	486.241.680	2,067.35	4.85
2005	512,528,634	2,180.31	4.68
2006	475,872,461	2,015.62	3.75

- | Source: Conspectementer Annual Fisancial Report for Year Todes I me 30, 2006.
  | Notes: (1) There are no overlapping or anderlying taxing jurisdictions in the City. (2) Debt payable from Entarpsian Fund revenue can be found in Todes III Todes III of the City. (3) The defensed proteins of broad are not included in Gross Road-cold Debt. Unumorated premium/discount in not installed in Gross Booked Debt. (4) Come Booked Debt. (4) Come Booked Debt. (4) Come Booked Debt. (4) Come Booked Debt. (5) Booked on the standble real property assessed value Egerna from Table III-3.

Table II-4 City of Norfolk, Virginia Principal Retirement All General Obligation Bonds As of June 30, 2006

Maturing By	Cumulative Amount	Percent of
Fiscal Year End	Matured	Principal Retired
2010	\$175,748,065	36.93%
2015	329,777,876	69.30
2020	418,078,350	87.86
2025	469,854,038	98.74
2030	472,472,461	99.29
2034	475,872,461	100.00

Source: Department of Finance, City of Norfolk.

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Fitzal Year Ended _June 30	Estimated Expelsion, <sup>(1)</sup>	Amented Value of Taxable Property (In Descamb), (3)	Gruss Booded Debt.		Debt Payable from Enterprise Recent.		Net Bonded Drift	Percent of Net Bonded Debt to Assessed Yaling	No Book Die gie CAD	
1997 1998 1999 2000 2001 2002 2003 2003 2004 2005 2006	229,600 226,900 225,700 234,403 234,600 233,900 233,900 233,971 236,092	\$ 8,414,038 8,668,361 9,034,436 9,232,039 6,738,684 10,204,892 10,742,548 11,483,300 12,439,664 14,332,318	\$ 539,425,001 546,935,001 598,805,001 488,351,541 488,245,266 690,345,881 690,345,881 686,241,885 512,338,634 475,877,661	1	158,819,126 153,077,914 141,668,034 128,007,237 114,528,097 112,049,634 99,220,319 87,633,923 91,063,187 83,099,005	5	380,605,875 391,837,087 397,136,967 393,344,303 393,317,130 348,296,937 361,685,911 365,696,976 401,008,476 382,773,000	4,92% 4,92 4,95 3,86 2,64 3,41 3,37 3,47 3,47 3,47 3,47 3,47	1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1	A58 ,727 ,627 ,537 ,532 ,491 ,546 ,639 ,791 ,791

Sincer: The mores of unionless year peoplesion emissions for 1607 through 1707 and 2005 dersugh 2704 is that Weldoot Compor Center for Public Standard, University and Vargions, Nov-2002 and 2006 peoplesion estimates because how the notionate theory for report of the production for the First Year Bodel Pure 98, 2006 was published and these estimates have been included where. The novelock for the production for the First Year Bodel Pure 98, 2006 was published and these estimates have been included where. The novelock for the production for the First Year Bodel Pure 98, 2006 was published and these estimates the north included where. The novelock for the Public Pure 98, 2006 was published and these estimates the north for the Public Pure 98, 2006 was published and the north public Publ

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Satist 2004.08th 200500 Sept. 551.541.00th 200500 Sept. 551.541.00th 24.350.08th 26.350.08th 26.3 200,000 | 202,364,507 | 202,567,564 | 202,567,564 | 202,567,564 | 202,567,564 | 202,567,564 | 202,567,564 | 202,567,564 | 202,567,564 | 202,567,564 | 202,567,564 | 202,567,564 | 202,567,564 | 202,567,564 | 202,567,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,564 | 202,56 \$10,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,00 Januari 20,191,944 20,191,944 21,191,944 21,191,944 21,191,944 21,191,946 21,191,94 Paincard 545,115,719 10,458,129 10,868,129 41,180,919 41,180,919 42,190,929 20,175,886 20,175,886 20,175,886 20,175,886 20,175,886 20,175,886 21,175,712 11,175, 485,000 515,000 515,000 505,000 505,000 625

Farking System Revenue Bonds

Since 1997, capital improvements of the Parking Facilities Fund have been financed with revenue
bonds. The revenue covenant for these revenue bonds requires the City to establish, fix, charge and
collect rates, fees and other charges for the use of and for the services furnished by the parking facilities,
and will, from time to time and as others as appears accessary, revies such tastes, feet and other charges, so
that in each Flastil Varies reconstituted debt service for the Fiscal Vera and (ii) 1.0 times the funding
requirements for transfers from the revenue fund to the bond fund, the parity debt service fund, the
survey bond interest fund and the subordinate debt service fund, the repair and replacement revenue fund, the
survey bond interest fund and the subordinate debt service fund.

Fiscal Year 2006 results reflect
compliance with his requirement.

### Debt History

The City has never defaulted in the payment of either principal of, or interest on, any indebtedness

### Capital Improvement Program Budget

The City has a Capital Improvement Program (CIP) Budget which plans for capital type rovements for a five-year period. This CIP Budget is reviewed and revised annually.

The City approved its Fiscal Year 2007 CIP Budget on May 16, 2006. The total of the CIP Budget for Fiscal Year 2007 is 1518,1053,00. This includes a \$14,698,226 transfer from the Fiscal Year 2007. Operating Budget, which reduces the City's reliance on bond financing. Five years of CIP activities have been planned in the approved Fiscal Year 2007—2011 CIP. Future year projects in the CIP Budget succonsidered for planning purposes only and may be modified, at any time, by the City Council. In addition, the CIP Budget succopy the City as a nearest of identifying aborts and long-term needs and as a guide for identifying various funding sources for future CIP Budgets.

The CIP Budget is developed in coordination with and at the same time as other City budgets. It is prepared for submission by the City Manager to the City Council concurrently with the Proposed Operating Budget. Hearings are hold as appropriate, and the final CIP Budget is adjusted with a determination being made of the pource and amount of funding to be recommended for each item.

The Fiscal Year 2007 CIP Budget is summarized in Table II-9. Table II-10 summarizes the CIP for Fiscal Years 2007 – 2011.

### Debt Incurred by Other Governmental Entities

### Overlapping Debt

The City is autonomous from any county, town or other political subdivision. There are no lapping or underlying taxing jurisdictions with debt outstanding for which City residents are liable.

The City has not borrowed on a short-term basis for working capital purposes in the past five fiscal

The City leases certain buildings and certain computer, automotive, solid waste automation and other heavy equipment, which are recorded at a cost of \$12,203,056. Additions to Capital Leases, in the fiscal year ended June 30, 2006, of \$43,274,68 consist of additional horowing. The remaining debt service requirements will be retired by funds from the General Fund on the aforementioned contracts as summarized in 730be II-8.

# Table II - 8 City of Norfolk Capital Lease Obligations

Year Ending June 30	General Long-Term Obligations	Internal Service Funds	Totals
2007 2008 2009 2010 2011 Thereafter	\$ 4,054,021 3,891,874 2,791,238 1,487,454 700,235 57,818	\$ 2,878 2,878 2,878 2,878 2,397	\$ 4,056,899 3,894,752 2,794,116 1,490,332 702,652 57,818
Total minimum lease payments	5 12,982,660	\$ 13,909	\$ 12,996,569
Less interest	(779,904) \$ 12,203,656	(1,263) \$ 12,646	(780,267) \$_12,216,392
Less current portion	(3,709,690)	<u>(2.423)</u> 5 10.223	(3,712,113)

Since 1993, and for all future financings, capital improvements of the Water Utility System an anticipated to be financed with revenue bonds. The revenue overant for these revenue bonds require the City to catabilith, fit, charge and collect rates, fore and other charges, to the the service furnished by the water system, and will, from time to time and as often as appears necessary, revise such rates, fore and other charges, to that in each Fiscal Year and revenue are not less than the greater of (if the sum of 1.1 times senior debt service and 1.0 times subordinated debt service for the Fiscal Year and (ii) 1.0 times the finding requirements for transfers from the revenue fund to the operating fund, the

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## Table II-9 City of Norfolk, Virginia ent Program for Fiscal Year 2007, As Amended Capital Improv

Uses		Approved Budget FY – 2007
General Capital Projects Parking Fund Projects Storm Water Fund Projects Water Fund Projects Water Fund Projects Towing and Recovery Projects Appropriation Source	Total Capital Program	\$132,021,300 9,509,000 3,500,000 18,875,000 17,000,000 1,500,000 \$182,405,300
General Capital Projects From Bond Issue From Cash Other Revenue or Bond Anticipation Notes		\$117,373,074 11,648,226 3,000,000
Parking Fund Projects Parking Revenue Bond Issue From Parking Pacilities Cash		8,909,000 600,000
Storm Water Fund Projects From Bond Issue		3,500,000
Water Fund Projects Water Revenue Bond Issue From Water Fund Cath		15,425,000 3,450,000
Wastewater Fund Projects From Bond Issue		17,000,000
Towing and Resovery Projects From Bond Issue		1,500,000
	Total Capital Program	\$182,405,300

Source: Capital Improvement Program Budget, Fiscal Year 2007, as amended.

School Noo-Schools TOTAL GENERAL CAPITAL \$ 2,500,000 62,273,600 64,773,600 \$ 1,100,000 31,545,560 18,045,960 \$ 46,122,416 528,765,085 483,887,460 \$ 1,500,000 \$1,071,000 87,571,000 \$ 17,724,916 134,296,384 132,621,300 \$ 29,897,500 343,775,100 164,675,600 3,500,000 3,500,000 3,500,000 3,500,000 17,500,000 STORM WATER FUND 1,010,000 13,569,000 PARKING FUND 9,509,000 13,000,000 12,000,000 16,000,000 WASTEWATER FUND 10,750,000 12,650,000 130,725,000 18,875,000 28,950,000 1.500,000 \$161,001,000 \$77,171,000 \$177,871,000 \$91,781,000 \$77,781,000 TOTAL CAPITAL PROGRAM Source: Capital Improvement Program Studget, Found Your 2007, as one

Governmental fiaid financial statements are reported using the current financial resources measurement focus and the modified acround basis of accounting. Under this method, revenue and related second the contract of the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 60 days of the end of the flical year. Proporty taxes due and collected within 45 days after year and se revenue; these not collected visit of sides after year-end are reported as deferred revenue when received. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

### INDEPENDENT ACCOUNTANTS

Section 99 of the City Charter requires that "—as aron as practicable ofthe the classe of each fiscal system on annual analis shall be under of all the accounts of the city offices. In profile public exceptions of the city offices, and the city offices are registered by some content of the city offices. The residuel general jumpose financial statements and the financial statements of the city of the

### BUDGETARY PROCESS

The City Charter requires that no less than 60 days before the end of the fateal year, the City Manager must submit to the City Council a proposed balanced operating budget for the ensuing fateal year that commexce fully 1. The Public Schools programmed to the City Council for the ensuing fateal transmitted to the City Manager for reviews the City Council to the City Council for consideration as part of the City's general operating budget. The City Council is required to held a public baaring on the badget at which the all interested persons have the opportunity to comment.

The financial forecast, the first step in the budget process, is an essential component of the annual process of assessing the City's overall financial condition and looking at its finances in a multi-year countext. The primary objective of the financial condition and looking at its finances in a multi-year counter. The primary objective of the financial conditions are processed to the condition of the conditio

The City's debt practices include self-imposed tax-supported bonding limitations that are employed in financial planning and capital improvement budgeting:

- Debt service payments on not bonded debt (tax-supported debt) not exceeding ten percent of the General Fund budget; and
- Net bonded debt not exceeding three-and-one half percent of the assessed value of taxable real negative.

### GENERAL GOVERNMENTAL REVENUE

## Overview

General governmental revenue is derived from general property taxes, other local taxes, permits, privilege fees and regulatory licenses, fines and forfeitures, use of money and property, charges for services, recovered oosts and non-entegorical adj, harder expenses and entegorical adj from the -Commonwealth-General-Fund dishumenents include the normal recurring activities of the City, seek as police, public works, general government, transfers to the School Operating frum for local states of costs and so the Dele Service Fund to pay principal and interest on the City's general obligation bonds for other than enterprise from purposes.

# PART III FINANCIAL INFORMATION

## Fiscal Year

The City's fiscal year commences July 1 and closes on June 30.

### Reporting Entity

For financial reporting purposes, in accordance with generally accepted accounting principles (GAAP), the City's financial statements include the City of Norfolk (primary government) and its

- The School Board of the City of Norfolk
  The Employees' Refirement System of the City of Norfolk (ERS)
  The Norfolk Community Services Board (NCSB)
  The Norfolk Redevelopment and Housing Authority (NRHA)

Complete financial statements of the individual component units can be obtained from respective administrative offices. Contact information for such administrative offices can be obtaining the office of the Director of Finance and Susiness Services of the City.

### BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE

The City's financial statements include the following sections:

- Management's Discussion and Analysis (MD&A).
   The MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- Basic Financial Statements. The Basic Financial Statements include:
   Overement-wide financial statements, consisting of a statement of net assets and a statement of activities;
   Fund financial statements consisting of a series of statements that focus on information of the government anjor governmental, enterprise and fiduciary finds and component units: and
   Notes to the financial statements provide information essential to a user's understanding of the basic financial statements.
- Required Supplementary Information (RSI). In addition to MD&A, budgetary comparison schedules are presented as RSI along with other types of data as required by GASB.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are corrected when a liability is incurred, reputch they are recorded when a liability is incurred, reputch they are recorded when and an are recorded when a liability is incurred, reputch they are layed. General and similar from any economics are recorded when any are recorded when they are layed, they are layed to the layed and they are layed to the layed t

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# Table III-1 City of Norfolk, Virginia General Governmental Revenue by Source Fiscal Year 2006

Source	Ameson)	Percent of Total
General Property Taxes	\$ 210,595,835	40.13%
Permits, Privilege Fees and Regulatory Licenses	4,088,238	0.78
Fines and Forfeitures Use of Money and Property	7,069,758	0.28
Charges for Services	16,877,536	3.22
Miscellaneous.  Recovered Costs	5,925,598	2.41
Intergovernmental	_117,797,242	22.45
Total Revenue	\$ 524.819.177	100.00%

Source: Comprehensive Assual Financial Report for the Fiscal Year Ended June 30, 2006.

### Property Tax Rates, Levies and Collections

An annual ad valorem tax is levied by the City on the assessed value of real property located within the City as of July 1, and on tangible personal property located within the City as of January 1. Real property taxes are the largest single source of tax revenue. Tax rates are applied to the assessed valuation of property.

The ratio of the assessed value of real property to its estimated fair market value is 100% (other than public service properties). The City taxes several categories of personal property, each of which is ansessed on a different basis. Menhistery and looks are assessed at 100% of original cost; vehicles and boats are assessed at 100% of certain published loan values; and mobile homes are assessed on the same basis are rail property.

The City has the power to levy taxes on property located within its boundaries without limitation as to rate or amount for the payment of its obligations. Rates are established by the City Council. The property tax rates approved in the PV 2007 budget, on each \$100 of assessed value remain unchanged from the previous fiscal year are: \$1.27 for real property; \$1.45 for the real property located in the City? Observations Service District, \$4.50.0 for personal property; \$1.05 for the real property located in the City? which is the property of the City of

Real property levies are payable during the year of assessment in four equal installments, on or before September 30, December 5, March 31 and June 5. Personal grouperty, recreational vehicles, machinery and tools, mobile homes, anighness and boat bries are grayled on or before June 5 of the year machinery and tools, mobile homes, anighness and boat bries are grayled property or an anight of the year of the payable states and recreational vehicles are posted throughout the year and payable thirty days after acquisition.

In the event any installment of taxes on any of the properties listed above is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

The City Council may require the sale of real property in satisfaction of delinquent taxes, pursuant to provisions of Section 89, City Charter.

Other Revenue Sources

The City levies various other local taxes: (1) a 1½ local sales tax (collected by the Commonwealth and remitted to the City); (2) a stax on consumer utility bilis; (3) a signette tax of 55 cents per packet; (4) property transfer recordation taxes; (5) an automobile license tax; (6) various basiness license/franchise care; (7) a hotel and modal tax of 85% and a 51 per cont, per night sustering; (6) an administration tax of 10½; and (9) a restaurant food tax of 6.5%, which includes alcoholic beverages and of which 1½ is decicated to tourism and economic development.

Fees, Licenses and Permits - The City requires that licenses or permits be obtained for the performance of certain activities and that fees be paid for services provided by certain City departments.

Revenue from the Commonwealth of Virginia - The City receives payments for highway maintenance, a share of the net profits from the State Archolic Beverage Control Board liquor sales, a start of state and training to expenditures for such functions as Sherift's office, Commissioner of the Revenue, City Treasurer, City Cark of the Circuit Court and Commonwealth's Athority office. The City also receives categories and a revenue for such purposes as public assistance, culturation and local law enforcement.

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	Fiscal Year Ended June 20	Sales and Use Taxes	Concessor's Eulity Tates	Lierave Xahta	Motor Vehicle Linesest	Cigarette Tatat	Restaurant Food Inne	Ωthex.	Xetd
6	1997 1998 1999 2000 2001 2002 2003 2004 2005	\$ 21,350 21,623 22,602 24,321 25,466 25,367 25,854 27,867 29,607 10,652	\$ 30,999 33,655 33,169 34,224 38,886 37,922 37,030 39,231 39,371 43,337	3 15,071 (4,818 13,932 16,095 18,312 28,644 18,472 29,279 22,015 34,413	\$ 5,095 3,112 3,508 1,308 1,201 1,479 1,554 1,462 3,456 2,605 3,578	\$ 3,777 4,507 4,918 3,940 4,322 4,280 4,230 7,639 6,948 6,819	\$ 12,018 15,003 15,677 17,066 18,715 19,288 21,640 21,808 22,550 27,272	\$ 11,820 14,183 15,586 18,070 17,341 18,307 21,229 30,386 27,491 21,543	\$ 161,131 106,899 131,212 119,107 126,537 127,262 132,847 181,615 150,477 157,616

Firest Vear Ended June 20	General Property IMM			Other Local Lates		mits and	- 1	lees and felbetts		Use of liney and Property	8	harges for erriess	Min	udencos		covered Cistli		aner- camental		Xatal
1997	*	147,928 147,228 147,831 132,062 133,366 159,512 168,893 176,561 195,293 211,768	*	101,171 106,499 111,312 119,317 126,377 127,362 132,847 140,675 150,477 157,616	1	2,031 2,080 3,606 2,943 2,601 2,700 2,973 3,204 3,547 4,088	1	1,304 1,772 1,920 1,661 1,684 1,541 1,569 1,627 1,763 1,461	. 1	9,560 8,785 10,275 11,561 11,347 4,791 6,111 80,212 90,466	1	17,388 18,491 19,658 18,836 18,745 18,312 29,390 11,342 29,129 32,772		11,329 15,201 18,621 13,990 13,681 12,337 24,785 17,339 18,901 33,464	1	18,961 14,468 11,139 12,338 14,135 10,008 9,556 12,797 14,188 12,667	1	93,948 9E,019 297,896 133,526 122,677 133,352 131,071 160,118 147,045 149,757	1	399,511 412,918 429,567 464,738 484,787 476,211 109,875 553,296 568,620 614,141

Table III-3 sets forth the asserted value of all taxable property in the City for the past five fiscal year. The total assessed value of all taxable property in the City at June 30, 2006, was approximately \$14.3 billion. The critimated assessed value of its cat-scenapt properties owned by floctard and Commonwealth governments, churches and schools, among others, was approximately 38.3 billion for Fiscal Year 2005, and in percentael in Table III-4.

# Table III-3 City of Norfolk, Virginia Assessed Valuations and Estimated Actual Values of Taxable Property (In Thousands) Fiscal Years 1997 - 2006

Fiscal Year Ended June 30	Real Property <sup>(1)</sup>	Personal Property <sup>(1)</sup>	Other Property <sup>(1)</sup>	Total Taxable Assessed Value	Estimated Actual Taxable Value <sup>(1)</sup>		
1997 \$ 1998   1999   2000   2001   2002   2003   2004   2005	7,387,984	\$ 834,112	\$ 191,942	\$ 8,414,038	\$ 14,232,192		
	7,619,379	848,103	200,679	8,668,361	14,673,363		
	7,934,397	900,076	219,963	9,054,436	15,145,054		
	8,098,113	1,023,626	203,300	9,325,039	15,668,692		
	8,458,281	1,040,929	228,874	9,728,084	16,119,540		
	8,882,064	1,102,983	219,845	10,204,892	16,794,801		
	9,356,760	1,085,027	300,481	10,742,268	17,864,127		
	10,029,639	1,170,117	283,544	11,483,300	19,406,057		
	10,960,812	1,167,673	310,519	12,439,004	21,576,347		

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 20, 2006.

Note: (1) Real property and persunal property includes both general and public service corporations.

- (2) Other property includes machinery and tools, mobile horses, simplanes and bosts.
- (3) Estimated actual tazable property values are based on das supplied by the City's Commissioner of Revenue and the City Ascense. Property value information does not include property of public service compositions or vacant land.

Firest Year Ended	Pederal I	Generalment	Citra	City of Norfolk		Nurfalk Redevelopment and Housing Anthonix				other or		
	Assessed Value					Estimated DocNatur	Assessed	Estimated Tax Value	Assessed Value		_Value_	
	\$ 3,601,784		\$1,316,130				1.163,464		\$ 1,044,992		5 6,861,737	\$16,063
	3,598,083		1,390,203	19.461	365.962	3,00	580,485	8,127	1,080,134	15,122	7,014,365	94,308
				29,833	392,839	1.411	638,636	8,933	1,199,415	14,792	7,385,564	103,399
2001	2,668,046	51,365				7.1	489.933	0.619	1241,460	17.381	2,924,803	110,948
2004	4,116,083	37,625	1,494,611	20,926	382,610	8,357	469,955	0.000	55755 Ba			
3905	4,118,338	57,937	1,786,337	23,889	392,982	8,862	711,361	9,917	1,330,116	18,902	8,209,155	110,188
Inches.	Annual Rep	ents of the Ci	ty Assessor 20	101 - 2005.								

Table III-7 sets forth is through 2004.

Fiscal Year Ended June 20	Total TaxLess	Current	Percent of Current Cultertions to Tax Lexy	Delisquest Collections	Tutal Collections	Percent of Total Tax Collections to Tax Lett
0997 1998 1999 2000 2001 2002 2003 2005	8 140,637 144,794 150,747 158,268 164,259 171,751 179,220 191,397 200,202	\$ 130,464 134,889 136,668 145,772 151,671 156,482 178,200 191,254	92.77% 93.16 90.86 92.10 92.47 92.57 91.78 93.30 91.42 93.42	\$ 10,617 16,727 11,668 64,665 13,504 12,883 16,724 84,831 8,549 8,334	\$ 141,191 145,618 147,734 600,637 165,422 177,797 183,206 194,021 199,803 212,330	100.33% 100.37 98.00 881.50 100.69 100.02 101.37 91.51 93.21

2

Name (1) Delivement has collections are reported in the year outlanded.
(2) These figures were local enteredy intentional as the 2004 Comprehensive Assemb

Table III-5 presents the property tax rate per \$100 of assessed value and the equalization ratios used to determine the fair market value of taxable property for the past five fiscal years ended June 30.

# Table III-5 City of Norfolk, Virginia Tax Rates and Equalization Factors Fiscal Years 2002 - 2006

,	near Years ave.	4 - 2000	Fiscal Year		
	2002	2003	Ended June 3 2004	2095	2000
Property tax rate per \$100 assessed value:	200		20022	5 1.40	
Real property	5 1.40	5 1,40	0.18	0.18	0.18
Business Improvement District	0.18	0.18			
Personal property	4.00	4.00	4.00	4.00	4,00
Machinery and tools	4.00	4.00	4.00	4.00	4.00
Mobile homes	1.40	1.40	1.40	1.40	1.35
Aimlanci	2.40	2.40	2.40	2.40	2.40
Boats (business)	1.50	1.50	1.50	1.50	1.50
Boats (pleasure)	0.01	0.01	0.01	0.01	0.01
Recreational vehicles	2.00	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00
Assessed value of real property as a percent	3.00	3.00	4.00	-	
of fair market value:					
As determined by the City Assessor	100%	100%	100%	100%	100%
As determined by the Commonwealth's					
Department of Taxation 111131	88%	8814	86%	65%	775

Sequence City of Norfolis, Veginia

Notes: (1) The most nevent Veginia Assessment/Soles Ratio Study is for 2004.

(2) The real property and personal property assessments for politic service corporations are based on information familied by the Commissione of the Persons by the State Carporation Commission and the Commissional Sequence of the State Carporation Commission and the Commissional Sequence of Taxasius for extended years 2002 stoogh 7005.

# Table III-6 City of Norfelk, Virginia Assessed Valuation and Change in Property Tax Levy Fiscal Years 2002 – 2006 (the Thousands)

	7.12	the successful		
Fiscal Year	Assessed Val	tuation (000s)		Percentage.
Ended June 30	Real Property	Personal Property & Other	Property Tax Levy	Increase in Property Tax Levy
2002	\$ 8,882,064	\$ 1,322,828	\$ 171,755,000	4.5456
2003	9,356,760	1,385,508	179,220,000	4.35
2004	10,029,639	1,453,661	191,397,000	6.79
2005	10.960.812	1.478.192	209,202,000	9.30
2006	12,691,527	1,640,791	227,796,000	8.89

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006.

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Table III-8 sets forth the City's ten largest taxpayers and the assessed value of real property owned by each such taxpayer during Fiscal Year 2006. The aggregate assessed value of the ten largest taxpayers represented 7.1% of the City's total assessable base at Juno 29, 200 bases at Juno 29, 200 bases and Juno 200 bases at Juno 29, 200 bases at Juno 200 bases at Juno

# Table III-8 City of Norfolk, Virginia Ten Principal Real Property Taxpayers (1) June 30, 2006

Taxpayer	Real Property Type of Business Assessed Value		of Total Real Property Assessed Value
MacArthur Shopping Center LLC Virginia Power Co. Taubmann Co. Verizon Virginia, Inc. Ford Motor Company Bank of America	Retail Public Service Utility Retail Public Service Utility Truck Manufacturer Bank	\$ 156,945,800 146,231,554 139,582,300 131,139,260 81,347,300 75,884,300	1.24% 1.15 1.10 1.03 0.64 0.60
Norfolk Southern Corporation Military Circle Ltd. Partnership Dominion Tower Ltd. Partnership Cox Virginis Telecom Total Principal Taxyayers	Railroad Shopping Center Real Estate Public Service Utility	75,454,011 65,249,400 53,157,400 53,031,839 5, 978,023,164	0.59 0.51 0.42 0.42 

Note: (1) Total assessed value of tanable real properly including public tervice corporations at June 30, 2006 was \$12,061,527,068.
(2) The Ford Motion Company announced that it intends to close its Norfolk assembly plant in June, 2007.

# GENERAL FUND EXPENDITURES

The cost of most general government functions are paid from governmental funds. These costs include expenditures for police protection, fire and parametical services, pushic health and social services, planning and noning management, ode enforcement, street maintenance, traffic control, parks and conserteries operation and maintenance, recreation and library services, economic development, solid wants disposal and general administrative services. The III-9 presents the number of positions budgeted for employees (including salaries and related employee benefits such as health insurance and pension contributions).

# Table III-9 City of Norfolk, Virginia Budgeted Positions Fiscal Years 2003 - 2007

Fiscal Year Faded June 30	Number of Budgeted Positions
2003	3,931
2004	3,929
2005	3,934
2006	3,969
2007	4,047

Sources: Approved Operating Budgets, Fiscal Years 2003 through 2007.

Note: (1) Figures shown represent the number of permanent and permanent part-time General Fund positions, exclusive of School Board positions.

### Protected Self-Insurance Program

The City is exposed to various risks of losses related to tors; theft of, damage to and destruction of assets, errors and emissions; injuries to employees; and natural disasters. On July 11, 1978, the City catabilished a posteriol Self-Insurance Program, pursuant to an ordinance adopted by the City Council, to cover lostle from these risks of losses. The program provides for the payment of claims liabilities, property losses and related exposes covered by a combination of positional control insurance plans. The told of insurance remains, self-insurance claims and related exposure payments made during Fractal Vera 2006 was \$6,848,315.

The City currently reports all these activities as part of the risk management function in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

At June 10, 2006, these liabilities were \$19,922,158 of which \$4,392,772 represents the current portion anticipated to be paid within a year. Estimated liabilities, as determined by an actuary, are reported in the government wide functional statements at their present value, using expected future investment yield assumption of five percent.

The City in its General Fund designated \$4,740,162 of it's unreserved General Fund balance to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or named budget appropriations. There have not been any algolificant reductions in insurance coverage, and stilled claims there not exceeded coverage in any of the past three fiscal years.

The School Board also participates in the program and its projected present value assuming a discount rate of five percent liability at June 30, 2006 was \$1,510,508. It also provides presents five risks of foos through a combination of purchased insurance policies and self-insurance plans. These loanes are funded through the Public Schools operating budgets and/or the City's fund balance designation.

### Retirement Plan

The City has a non-contributory single employer deferred benefit retirement plan for full-time permanent employees often than employees of the School Board. The City's contribution requirements are designed to find the plan's current service cost. Actuaristly required contributions are appropriated each year by City. Council.

### Employee Relations and Collective Bargaining

The Supreme Court of Virginia has ruled that in the absence of legislation, municipalities and school boards in Virginia do not have the authority to enter into collective bargaining agreements.

### PUBLISHED FINANCIAL INFORMATION

The City issues and distributes a Comprobensive Annual Financial Report on its financial operations for each fiscal year. The City also publishes aroundly an Operating Budget and a five-year Citylia Budget and a five-year Citylia Budget. These documents are switched with internet at wows norfolk gov. In addition, the City will undertake to provide or cause to be provided certain Annual Financial Information described in the section "CONTINUING DISCLOSURE" to fulfill the requirements of the Rule promulgated by the SEC.

### GENERAL FUND OPERATING BUDGET RESULTS FOR FISCAL YEAR 2006

On the budgetary basis of accounting, General Fund revenues were \$735,667,718 representing 101,0% of budgeted revenue. General Fund expenditures were \$721,146,599 representing 99,1% of budgeted expenditures. Table III-11 summarizes key financial results.

# Table III-11 City of Noctob, Virginia General Fund Operating Budget Summary Results for the Fiscal Year 2006

245	Fiscal Year 2005 Final Budget	Fiscal Year 2005 Results	Fercent of Hudget	Variance Positive (Negative)
Total Revenue and non- revenue receipts Total Expenditures	\$ 728,032,234 \$ 728,032,234	\$ 735,667,718 \$ 721,346,599	101.0% 99.1	\$ 7,633,484 \$ 6,685,633
Revenue greater (less) than expenditures	<u> </u>	5 16,321,119	1996	\$ 14,321,119

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006.

Total annual pension contributions for all City employees over the last five years to the City's southeast five years to the City's and other City employees garacticipating in the Virginia Rectinement System) are presented in Table III-10.

# Table III-10 City of Norfolk, Virginia Schedule of Annual Pension Contributions Fiscal Years 2002 - 2006 (1)

Fiscal Year	Annual Presion
Ended June 30	Contribution
2007.	\$ 4,343,124
2003.	17,046,924
2004.	23,469,744
2005.	23,652,756
2006.	25,728,228

Source: Comprehensive Annual Financial Report for the fiscal year Ended June 30, 2006.

Note: (1) Astuantally required Pension Contributions are funded and paid in the Fiscal Year following the con-determination.

### Other Post-Employment Benefits

In June 2004, the Government Accounting Standard Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Denefits Other than Pensions, which the City of Nerfolk will be required to implement with respect to fin financial statements. Final year 2006, CASB 64 stabilishes are standards as the bore the City must occur for and report of final year 2006, CASB 64 stabilishes are standards as the bore the City must occur for and report of costs of to OPED - health insurance, life insurance, and other non-pension boorfits provided to its retires.

GASB 45 requires that the City and Schools recognize the costs of their OPEB during the period of their comployed; active employment, while the benefits are being earned, and discloses their unfunded cantural acrossed lability in order to accurately apport the total fiture cost of post-employment shall be another than the contraction of the contraction

The following steps have been taken to date, in preparation for the implementation of GASB 45:

- The City and Schools have obtained preliminary actuarial valuation reviews of their respective OPEB liabilities as of October 1, 2004.
- City and Schools managements have reviewed the preliminary results of the actuarial valuation reports and presented them to their respective governing bodies.
- OPEB funding options and benefits are currently being analyzed and evaluated by the City Council and the City School Board.

The actuarial consultants determined the City's and Schools' unfunded actuarial scenued OPEB liabilities assuming the eslabilithenest of an employer benefit must were approximately \$5.4 million and \$56.1 million as of Cesco's, callion and \$59.5 million, respectively. These annual required contributions include the amounts currently funded with pay-sa-yo-go financing and do not represent entirely new funding requirements.

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## General Fund Operating Budget for Fiscal Year 2007

The Fiscal Year 2007 General Fund Operating Budget was adopted on May 16, 2006, and totals 3766,889,400 reflecting a 5.5% increase over the adopted Fiscal Year 2006 General Fund Operating Budget of 5726,691,000. Real estate assessments greve to the highest level in 15 years increasing 22% over the previous fiscal year generating \$270 million in additional property has revenues. The real critic text rule was decreased to \$12.7 per \$100 of assessed water. Holds tax revenues are expected to decrease 12.7% and sales and use taxes are projected to grow \$3.5% and inclinated by \$2.7 per \$2.00 of \$1.5% and \$2.00 of \$2.00 of \$2.00 of \$2.00 of \$2.00 of \$2.00 of

The budget focuses on targeted priorities including education, public safety, neighborhood revitalization and human services. Major revenue and expenditure categories are summarized in the following table.

for the	General Fun Fiscal Year July 1, 2006 thru	egh Jane 30, 2007, As Amended	
Anticlassical Recents Receits to the Cool Team of Local Team only, Fort and Lorenze only, Fort and Property, Lorenze only, Forting Cool,	Agent med. Hambout \$ 206,655,500 148,0708,800 3,907,600 1,127,000 8,177,000 21,947,000 24,277,000 24,277,000 24,277,000 24,277,000 24,277,000 24,277,000 24,277,000 24,277,000 24,277,000 26,640,373 26,440,300 9,041,300 71,54,202	Approximation Fax Caseminess Legislature Executive — Companions of Law- Organization of Law- Companions of Law- Caseman Caseman Admitted — Caseman Caseman Caseman of Colonial Public Scale and Autobiase Public Scale Public Scale Data Novice Scale Sc	Approved Budlett  \$ 4,001,000 \$ 5,212,000 \$ 1,610,000 \$ 4,921,000 \$ 44,971,000 \$ 77,245,000 \$ 77,245,000 \$ 77,245,000 \$ 77,245,000 \$ 97,774,000 \$ 97,774,000 \$ 92,774,000 \$ 92,774,000 \$ 92,774,000 \$ 17,777,0074 \$ 66,562,100 \$ 106,714,200
OTAL	\$ 775,029,824	TOTAL	5 775,029,824

Final Year Ended Junt 20	General Generalism Administration	Admin Admin Strates	Bable Selec	Table Yorks	Sharm and Patrice Supplement	Shuint	Colver and Barrelle	Community Discounter	Delta Senial	Senson General Senson	Coprod Cortins	Det
2997	X 41.000	1 720	3 85.210	1:3040	1 34.940	1 70.014	6 75.700	\$ 13,567	3-11211	\$ 16,614	8 49,774	5.450,415
2798	41942	8,000	11,000	29.475	400,744	74,400	34,710	34,316	49,587	8,305	37,296	439,794
1900	42,899	8,000	96313	34.163	44,995	47,599	26,186	19,629	62,685	6.819	35,348	479,515
	80,730	1,369	90,540	54,792	72,000	2600	41.769	22.650	94,700	2,990	11.04	483,619
2000	16,671	2967	801,323	36307	96.967	20,000	95,550	22.640	91,121	1,605	27,446	485,845
200	44,126	1.790	113.913	56,124	61,650	41,842	43,849	14,349	88,835	9,812	30316	615,318
			9049	87,146	05,(40)	26,210	90.140	13,03	48.445	9.660	32.7%	363.379
2005	84,635	1260	94,570	80,612	74.221	WL 830	40.00	8.166	48.555	6,310	45,006	602,409
2001	76127	35,415		66,617	83.670	11,800	60,200	12,710	61,466	1000	85.546	461,251
2004	87,834	34,110	103,378			95,980	45,990	0.89	15.662		51,435	475,570
3666	W2.040	41,795	105,654	40,759	91,000	45,911	41,040	10,004	10,000		71,000	4.000

Source: Comprehensive Annual Ferencial Report for the Floral Year Ended June 50, 2006.

A comparative balance there at June 10, 2006 and 2005 extracted from the June 30, 2006 Comprehensive Annual Financial Report for the General Fund is presented in Table III-14. The Comparative Statement of Revenue and Expenditures for the City's General Fund for the past five fiscal years are presented in Table III-15. The City's most recent General Fund statements of changes in fund balances for the past five fiscal year are summarated in Table III-16.

Table III-14.

Table III-14.

Table III-14.

City of Norbita, New Fundament Service Service

ASSETS	2005		2006
Cash and cash equivalents	\$ 50,309,685	8	51,622,665
Investments			***
Receivables, net:			
Taxes	23,259,935		32,469,995
Accounts net of allowance for uncollectible accounts	1,354,561		1,860,949
Notes	111,982		91,586
Accrued investment income	336,565		535,398
Due from other funds			7,135,658
Due from agency fund	200		***
Receivable from other governments	25,479,412		31,244,227
Descrit Contractors	742,915		***
Inventories	399,733	-	***
Total assets	\$ 104,122,104	5	124,960,478
LIABILITIES/ACCOUNTS			
Vouchers payable	. \$ 6,861,728	2	7,408,293
Employee withholdings	. 32,286		675,807
Accrued payroll	4,020,910		4,069,898
Due to other funds	3,264,076		2,951,509
Due to other governments			***
Due to component units			***
Deferred revenue	18,834,984		24,833,977
Other liabilities	2.929.511		2,344,662
Total liabilities	\$ 35,943,495	\$	42,284,146
FUND BALANCES:	and the same of th		
Reserved for:			16 300 060
Encumbrances	\$ 13,006,634	\$	15,377,058
Inventories	399,733		680,000
Retirees reserve.	765,000		680,000
Unreserved:			
Designated for:			
Risk management	\$	s	20 217 //2
Future expenditures	15,987,197		30,217,662
Fiscal Year appropriations			
Undesignated	38,020,045	-	36,401,612
Total fund balances	68,178,609	-	82,676,332
Total liabilities and fund balances	\$ 104,122,104	2	124,960,478

Source: Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2006 and June 30, 2005.

Table 10-11	Table III-15 by of Norfolk, Virgin	nia .			
Comparative Statement of	Revenue and Expe	aditures, General	Fund (1)		
Comparator contents to	scal Years 2002 - 20	06			
			ol Year Ended June		
	2002 (7)	2003***	2004 <sup>(7)</sup>	2005*1	2016
REVENUE	5 139.512.496	\$ 168,892,719	\$ 178,360,554	\$ 192,894,904	\$ 210,595,83
General property taxes	127,262,671	128,453,471	135,913,691	141,510,674	148.336.90
Other local taxes	2,699,765	2.972.611	3,294,071	3,541,516	4.088.23
Pomits and Somes	1,541,388	1,569,454	1,626,731	1,763,078	1.461.41
Fines and forfeitures	7,014,215	6,785,960	6,314,660	7,154,235	7,069,75
Use of money and property			12,449,529	14.829.244	16,877.13
Charges for services	10,765,690	11,642,327		5.196,567	5,925,59
Missellaneous	4,580,265	5,032,482	4,505,314		
Recovered costs	10,008,360	9,556,223	12,296,915	14,187,852	12,666,64
Integryemmental	105,577,097	102.846.522	129,148,556	113,534,988	117,797,24
Total Revenue	5.428.981,247	5 437 751 769	5 483,820,021	5.494.613,058	\$ 524,819,17
EXPENDITURES					
General government	\$ 42,328,132	\$ 46,919,852	\$ 64,790,732	\$ 65,578,006	\$ 88,834,20
Julicial administration	7.310.870	7.345.727	35,260,950	37,456,654	40,889,14
Public rafety	112.625.249	116,996,697	86,236,346	91,464,166	93,709,75
	43.563.829	43,680,181	67,255,473	50,256,206	34,276,56
Public works	45,429,383	49.758.505	58,326,033	61,696,267	63,666,06
Health and public assistance	30,241,641	31,959,153	31,858,823	32,108,630	32,833,72
Culture and Recreation	83,882,544	88.853.663	99,000,000	91,864,910	92,594,91
Education		17,672,800	8.048.376	7,125,756	6.468.84
Community development	16,944,778	11,612,600	8,048,376	1,140,170	0,000
General services			5 441,396,733	\$ 437,650,995	\$ 455,273,21
Total Expenditures	5,282,696,696	5.403,186,578	3.441.195.713	17.062.463	69,345,96
Exacts of (deficiency) revenue over expenditures	96,334,801	34,565,193	42,423,288	21.062,463	99,343,96
Other financing sources (uses):				2	
Proceeds from sale of land	5 160,468	\$ 29,046	\$ 342,076	5	4,828,66
Proceeds of capital leaves	2,183,796	7,585,672	4,430,252	4,791,516	
Capital contributions	***	410,715		-	
Transfers in	8,591,760	10,044,594	10,449,842	11,103,036	11,835,85
Transfers and	(42,014,515)	(62,412,483)	(58,553,596)	(63,365,438)	(71,712,56)
Operating transfers to School Board component unit	(1401-011)	-	-	-	
Operating transfers to Subset Board component one.  Operating transfers out to component unit		***			
Total Other Financing Sources (Uses)	\$ (51,078,531)	\$ (44,425,346)	\$ (43,331,426)	\$ (47,560,886)	\$133,048,26
Special Plems:					
Write off of uncollectible FEMA Grant				(3.113.620)	
Total Other Financing Sources (Uses) and Special Items				(50,674,510)	(55,048,24)
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	\$ (4.743,700)	\$ (9.859.950)	5 (998,138)	5 6,387,953	5 14,697.72

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10. The difference in the enthing and Septem for the French Year Existed Jesus 27, 2004 and EY 2003 is attributed to transforming the Year Sources Transforming T

Year 2006. In addition, the City has a contract with Virginia Beach for wheeling and treating Lake Gaston water and a contract with Portsmouth for the sale of emergency raw water.

On July 1, 1979, the City Council established the Water Utility Fund as a distinct enterprise fund to count for all of the financial activity related to providing water services to its customers. Since its eption, the Fund has operated on a self-supporting basis.

Historically, regular annual transfers have been made from the Water Utility Fund to the City's General Fund for payments-in-lice of (axes and as a return on the City's investinated in the Water System. Additionally, naturallers have been made up yell didn't service on general colligation boads insued by the Additionally, naturallers have been made to yell didn't service on general colligation boads insued by the compared to the control of the control

## Water Rates

Retail rates are set by City Council. Effective in Fiscal Year 2004, the City Council established retail rates as follows:

Fiscal Year	Retail Rate
2007	\$3.38 per 100 cubic feet
2008	\$3.50 per 100 cubic feet
Theresites	3.5% amual increases each July 1

U.S. Navy and Chraspeake wholeade rate revisions for inclusion in City Ordinances are approved by City Council. Vriginia Beach formula driven binonial wholeade rate revisions are not authoritied for City Council approvish. In order to encourage conservation, the outern text survivue is a uniform rate per thousand gallous, with no quantity discount. Retail customers are charged a monthly service charge.

### WASTEWATER UTILITY FUND

The City owns and operates a sanitary sewer system (Sewer System) which collects and conveys wastewater to the regional processing agency, the Hampton Roads Sanitation District. Approximately 63,000 accounts located within the City are served. Since July 1, 1983, the Wastewater Unity Fund has been operated as an entemprise fund.

As of June 30, 2006;		
Approximate population served	64,000	accounts
Total wastewater pumping stations	127	pump stations
Miles of gravity wastewater mains	815	miles
Miles of wastewater force mains	63	miles

City general obligation debt issued to finance wastewater utility projects is carried as a liability on Wastewater-Utility-Fund behaves sheet. The Wastewater Utility-Fund provides the funds for debt for on such bonds.

# PART IV ENTERPRISE FUNDS

### WATER UTILITY FUND

### Overview

The City-owned water system (the "Water System"), operated through its Department of Utilities, is one of the largest municipal water systems in the Commonwealth. The approximately 800,000 people served by the Water Systems are distributed throughout the City, the Navab bases in the Cities of Norfolk and Wingnia Beach, and residents of the Cities of Virginia Beach, and residents of the Cities of Virginia Beach and Chesapeake. A Navab base in the City of Portsmouth is provided raw water service. The distribution of average metered consumption in the fiscal year ended June 30, 2006, is shown in Table IV-1.

# Table IV-1 City of Norfolk, Virginia Water System Average Metered Consumption by Custom Fiscal Year 2006

Customer	Metered Consumption (MGD)	Percent of Total
Norfolk	19.51	27.84%
Virginia Beach	35.68	50.92
U.S. Navy	5.01	7.15
Chesapeake	9.87	14.09
	63.07	100.0%

Source: Department of Utilities.

As of June 30, 2006, the Water System had an average of 64,000 active accounts. The average annual daily amount of finished water pumped for Fiscal Year 2006 was 67.6 mgd (million gallons per day). Average day production includes approximately 3.5% and of unaccounted for water such as losters, water used for fine protection and the finalting of water mains. For Fiscal Year 2006, the System's unaccounted for water level was approximately 3.5% which is within the American Water Works Association acceptable levels.

Prior to Fiscal Year 1998, Virginia Beach's water use was restricted due to concerns about exceeding the safe yield of the Water System's sources. Due to its rapid population growth since the 1990s, combined with recurring water shortages, Virginia Beach contracted a 76 mile pipeline from Lake Gaston in Brunawick County, Virginia to the Water System through which raw water from Lake Gaston in Good, treated by Norfolk and then additived to Virginia Beach. With the completion of the Lake Gaston Pipeline in Fiscal Year 1998, the conservation restrictions on Virginia Beach's water sochawe benefit lifted, except in times of drough.

A significant portion of the Water System's revenue is derived from wholesaling water to the Cities of Virginia Basch, Portumouth, and Chesspeake and the U.S. Navy. The City has wholesally contracts with the U.S. Navy and Virginia Basch. In the absence of a wholesale contract, the City of Chesspeake purchases treated water from the City at an equivalent Norfolk retail rate. If a wholesale contract between the City of Chesspeake and the City is executed, the City anticipates the City of Chesspeake will continue to purchase treated water from the City a retail rate. The City also have exceeded a contract with the City of Chesspeake and the City are retail rate. The City also have exceeded a contract with the City of Chesspeake and the City and retail rate. The City also have exceeded a contract with the City of Chesspeake and the City and retail rates. The City and the City of Chesspeake will continue to a contract the City of Chesspeake and Che

Each customer using the City sanitary sewer system is charged at a rate based on the flow through an effluent meter. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Effective in Fiscal Year 2005, the City Council established retail rates as follows:

Fiscal Year	Retail Rate
2007	\$2.67 per 100 cubic feet
2008	\$2.78 per 100 cubic feet
Thereafter	4% annual increases each July 1

### PARKING FACILITIES FUND

The City presently owns and operates 14 multi-level parking garages, 14 surface lots and 641 on-street spaces. These facilities provide a total inventory of over 19,200 downtown parking spaces.

The Parking Facilities Faul was established in Fiscal Year 1912. City general obligation delts issued to finance Parking Facilities Fund projects is carried as a liability on the Parking Facilities Fund; balance sheet. The Division of Parking provides the finds for debt service on such bonds. The Parking Pacilities Fund balance sheet the Division of Parking provides the finds for debt service on such bonds. The Parking Pacilities Fund balance sheet on June 30, 2006, presents total assets of \$154,453,44 which isclude Facilities Fund balance sheet on June 30, 2006, presents total assets of \$154,453,44 which isclude the parking Facilities Fund assets and the parking facilities for the parking facilities from the parking facilities for the park

Transfers have been made from the Parking Facilities Fund to the Debt Service Fund to pay all debt service on general obligation bonds issued by the City to pay for Parking System improvements. The City intends to pay for all future parking related capital costs from revenue of the Parking System and proceeds of Parking System revenue bonds.

# PART V THE CITY OF NORFOLK

### INTRODUCTION

The City of Nerfolk was established as a town in 1682, as a borough in 1736 and incorporated as a city in 1845. The City lies at the mouth of the James and Elizabeth Rivers and the Chesapeake Bay, and is adjacent to the Atlantic Ocean and the cities of Virginia Beach, Portsmouth and Chesapeake.

# Table V-1 City of Norfolk, Virginia Area of City

Year	Source Miles
1950 1960 1970 1980	37.19 61.85 61.85 65.75 65.98
2000	65.98

#### CITY GOVERNMENT

Narfolic is an independent, foll-service City with sole local government taxing power within its boundaines. It derives its governing authority from a charter (the "Charter"), originally adopted by the General Assembly of Wegnia (The "General Assembly") in 1918, which substricts a consoli-manager form of government. The City Council exercises all of the governmental powers conferred upon the City. Having sought and gained approval from the U.S. basides Department and the General Assembly, and the City of the City of

#### Certain Elected Officials

The City's current elected officials include:

#### Paul D. Fraim, Mayor

In May 2006 Mayor Fraim became the City's first popularly elected mayor in nine decades. Mayor Fraim is a 20-year incumbent on City Council, and was first elected Mayor by his peror in 1994. He is the president of the low firm from the City of th

## Certain Appointed Officials

## Regina V.K. Williams, City Manager

Regina V.K. Williams assumed the post of Norfolk City Manager in January 1999. Her responsibilities include the supervision of the administrative operations of the City and the preparation of its annual bodget. She served as City Manager for the City of San Jose, California for five years and previously served as Assistant City Manager for five years. Prior to serving in San Jose, Mr. Williams was appointed by them Verginia Covernor Chan in 1994, 1997 of Rehmond, Verginia. In 1924, Mr. Williams was spointed by then Verginia Covernor Chan in 1994, the was inducted as a fellow into the National Academy of Public Administration (NAPA). In 1984, Mr. Williams was elected to a vice-precisionery of the Board of Directors for the International City-County Management Association (ICMA). She was surveited the disputation of managers of the year in September 2002 by ICMA. Mrs. Williams was also neved as the President of the National Torum of Black Public Administrations in former President of the Kidmont, Verginer from Eastern Michigan University, Publical Administration, Masters degree in Public Administration from Virginia Commonwealth University, Richmond, Virginia.

### Steven G. de Mik, Director of Finance and Business Services

Serve de Mik commenced his tenura a Discretor of Finance on September 1, 2000 and Director of Finance and Business Services on Rely 1, 2005. At the direction of the City Munager, he is responsible for identifying its stangel, exportantials for the City of the policy areas of taxalon, financial analysis are for the City which he policy areas of taxalon, financial analysis of the City which include each management and instruction. In addition, he is responsible for the administration of the financial affairs of the City which include each management and invertigence, delt management, financial accounting and reporting, procurement, this management and invertigence, delt management, financial accounting and reporting procurement, this management and the City of the City of the County, Tenunces where he served as the Deputy Protector of Finance and Administration for County, Tenunces where he served as the Deputy Director of Finance and Administration for and McMurrary, Certified Public Accountants. Mr. de Mik carne to absorber of Selector degree in Accountants and Chipman. Accountants and Chipman and McMurrary, Certified Public Accountants and the Mik across the absorber of Selector degree in the a Economic Certified Public Accountants. Mr. de Mik across database of Selector degree in the accountant of the control of the City McMurrary Misseuri. He is the a Economic Certified Public Accountants.

## Bernard A. Pishko, City Attorney

Bernard A. Fishko was first appointed by City Council as City Attorney in November 1997. He previously served as Deputy City Attorney from 1989 to 1997 and as an Assistant City Attorney form 1984 to 1999. He has prestitude the saice 1982. The City Attorney is top openal counsel for the Norfolk School Board, Norfolk Recrustional Fasilities Authority School Board, Norfolk Recrustional Fasilities Authority School Board, Norfolk Recrustional Fasilities and the City Attorney is the Recrustional School Council School

### Anthony L. Burfoot, Vice Mayor

Mr. Burfoot, representing Ward 3, was first elected to Giy Council in July, 2002. He is employ New York Life as a licemed Life and Annulies Health Agent. Additionally, he is an adjunct facul beher at Tickwest Community College. He received a Bacholor of Science degree in Pal-ministration and a Master's degree in Educational and Administrative Supervision from Virginal So-versity, Peterburg Virginii. He is involved in many civic and ownerse softwise.

### Daun S. Hester, Council Member

Mrs. Dann Hester, representing Super Ward 7, was first elected to City Council in July 1996. Melater is currently a consolulate with Hester liketer & Astociates, Ltd. She received a Baceleor Science degree from Virginia State University, Peterback, Virginia, And Matter of Arts Detect Education and Human Development from The George Washington University, Washington, D.C. Mittester lactive in many local professional organizations.

### Paul R. Riddick, Council Member

Mr. Riddick, representing Ward 4, was first elected to City Council in July, 1992. He is the owner and operator of Riddick Funeral Service. He attended Norfolk State University, Norfolk, Virginia, and has an A.A.S. degree in Funeral Service from John Tyler Community College, Chester, Virginia. Mr. Riddick is active in many local professional organizations.

### Dr. Theresa W. Whibley, Council Member

Dr. Whibley, representing Ward 2, was first elected to City Council in July 2006. She is an obstetrician and govacologist in private practice at Wenna Care Centers, Pt.C. in Norfolk. Dr. Whibley is a graduate of Eastern Virginia Medical School (EVNS), Jones Institute of Reproductive Medicine, Old Domialon University, and the College of William and Mary. Dr. Whibley is active in many local professional cognizations.

### Donald L. Williams, Council Member

Mr. Williams, representing Ward 1, was first elected to City Council in July 2002. Prior to running for Council, Mr. Williams served as a delegate in the Virginia Blouse of Delegates from 1998.2001. He is currently president of the Hampton Roads Housing Center. He attended Old Demnitrol University and obtained a real estate broker's license in 1983. Mr. Williams is active in many civic and business activistics.

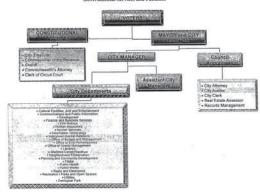
Mr. Winn, representing Super Ward 6, was first elected to City Council in July 2000. He is the Chief Executive Officer of Winn Nursery of Virginia, Inc. He received a Bachelor of Science degree from North Carolina State University, Raleigh, North Carolina. Mr. Winn is active in many civic and bosiness activities.

### W. Randy Wright, Council Member

Mr. Wright, representing Ward 5, was first elected to City Council in July 1992. He is the owner of Randy Wright Printing and Publishing. He is involved in many civic and business activities.

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## Governmental Services and Facilities



In Virginia, cities and counties are not overlapping units of government. Each city or county is a distinct political entity providing services for the population within its respective jurisdiction. The City of Norfolk provides a comprehensive range of politic services as a survivonment within which the educational, polytical, social and cultural needs of its citizens are met. These general governments services include policies protection, fire and paramedical services, public health and social services, planning and zoning management, code enforcement, storm water management, store maintenance, traffic control, parks and centederies operation and maintenance, recreation and library services, economic development, solid susted disposal and general administrative services. In addition, water and wastewater utilities and parking facilities services are provided under an enterprise fund concept with user-charges set by City Council.

### School Board of the City of Norfolk

The seven members of the School Board of the City of Norfolk (the "School Board") are appointed by the City Council. The School Board is a corporate body and in its corporate capacity is vested with all of the duries, obligations and responsibilities imposed upon school boards by law. The City Council is

required to appropriate annually to the School Beard the amount needed for the support of the public school in maintaining educational programs which meet the standards of quality prescribed by law, the standards of the company of the public school in maintaining educational programs which meet the standards of quality prescribed by law, the standards of the public school in the City's General Fund budgetary revenue. This esteporical aid, plus monital enterwise from local sources, provides the funds for the major share of the School Board's operations. On an ongoing basis, the City also issues debt to finance needed capital projects of the school system.

The School Board presently operates thirty-five (35) elementary schools, nine (9) middle schools, five (5) high schools and several multilary schools, including alternative, magnet and specialty programs. For the fixed year ended June 30, 2006, the School Board's expenditures for education totaled \$34,0494,449.

### Norfolk Airport Authority

In Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and promote industrial growth and consists of both an Airport Fund and an Investment Fund. The Airport Fund was established by the Authority to account for the operations of the Norfolk International Airport (the "Airport"). Revenue generated by airport operations to use to meet all operating expenses and top provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment Fund was established by the Authority to provide for certain airport capital improvements.

The Authority finances individual capital projects by issuing bonds or obtaining loams and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all paningial and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments.

The Authority's Commissioners are appointed by City Council, but the Commission designates its own management and has oversight responsibility for its own fixed matters. The City does not provide funds for the operations of the Authority, and to Section 144(4) of the City Charter, the Authority is required to selent its sunce and to Section 144(4) of the City Charter, the Authority is required to selent its inscription of the Authority of the City Council for the purposes of information only. The City of Norfish has the option of the Authority of all obligations relating to the improvements at the Airport.

## Hampton Roads Regional Jail Asahority

The Hampton Roads Regional Jail Authority (HRRIA) is a regional organization which includes the cities of Hampton, Newport News, Norfolis and Pottmouth, created for the purpose of providing operating and maintaining a regional jail facility for the correctional coverflow from each community. HRRIA is a primary government, with no component units, that is a body politic one corporate created persuant to Article 3.1, Chapter 1.1 its 3.1 of the Code of Virginia, as amended, and its government twelve member Board of Directors, continting of the control of the state of the control of the c

The facility, which opened in March 1998, consists of approximately 383,518 square feet of building area, including three housing building units, a support building and a central plant. The Jail holds 873 immates of which 203 are designated to the City. The City is responsible for 28,257% of the total operating cost less the revenue derived from the Vingrish Compensation Board and the per diem reinstructured from the Commonwealth for the Journal of 21st Immates.

The Hospital Authority of Norfolk (HAN), which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant is an Agreement of Transfer dated by 1, 1988. The Hospital Authority operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Opportunest to provide a continuum of patient over ranging from sub-acute hospital service to Seithlind marking care.

### Norfolk Redevelopment and Housing Authority

Noefolk Redevelopment and Housing Authority

The Netfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the
Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States
Housing Act of 1977. The NRHA provides subinificate public boosing and administers redevelopment and conservation efforts within the City in secondance with State and federal legislation. The seven
members of the Bond of Coemissioners are appointed by City Council. The NRHA is responsible,
through a contract with the City, for the administration of such authority. The NRHA is responsible
executer contracts on its own behalf. However, the City does not exercise a significant degree of
overlight responsibility for the NRHA as it is responsible for designating its own management,
developing in own operating budget and executing major contracts on its own behalf. The NRHA is
responsible for its own first an activity of the NRHA as it is responsible for its own from the NRHA as it is responsible for its own behalf. The NRHA is
responsible for its own first materials with own books of account, it audited annually by
independent accountants it engages, and has anaboticy over enuming, delice, its major contract floads. The City contracts with NRHA to complete specific projects, generally capital
improvemental projects.

### The Southeastern Public Service Authority of Virginia

The Southeastern Public Service Authority (SPSA) is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portunouth, Suffolk and Virginia Bench and the counties of false of Wight and continued to the property of the collection, transfer, and the support of the collection, transfer, and the collection, transfer, and the support of the collection, transfer, in the support of the collection, transfer, in the support of the support of the collection, transfer, in the support of the Board of Directors, with each individual having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and its audited amountly by independent accountlants that it engages.

The regional system includes a refuse-derived fuel plant and a fuel delivery system, located on federally-owned land in the City of Portsmouth, as well as solid waste transfer stations in each of the member jurisdictions, a landfill, foling stock and activity facilities, and an extensive recycling program which collects recyclable waste products from single-family homes and at drop-off centers.

### Transportation District Commission

Hampton Roads Tramit was created on October 1, 1999 with the consolidation of the Tidewater Regional Transit ("TRT") and FENTRAN. It is believed to be the first voluntary merger of public transit agencies in the ration. The district continues to be a political substitution of the Commonweath of Virginia, formed as a joint service of governmental power in accordance with the provisions of Chapter 32 of Trife 15.2 of the Code of Virginia. The District provides public transportation facilities and services within Cities of Norfolk, Chesapeake, Hampton, Newport News, Portsmouth, Suffolk and Virginia Beach.

The Hampton Roads (formerly Tidewater) Transportation District Commission, a political subdivision of the Commonwealth of Virginia, was formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of Chapter 32 of Title 15.1 of the Code of Virginia.

Table V-2
City of Norfolk, Virginia
Contributions to Hampton Roads Transportation District Commiss
2003-2007

Year	2003-2007	Contributions
2003		\$ 3,276,830
2004		3,002,003
2005		3,021,200
2006		4,559,463
2007		5,960,949

Sources: Approved Operating Budgets, Fiscal Years 2003 through 2007.

## ECONOMIC AND DEMOGRAPHIC FACTORS

## Population

As reflected in the Table V-3, from 1970 to 2002, the population of the City declined; a fact we can be attributed in part to the clearance and redevelopment of blighted areas and to a reduction in birth rate. More recently published population statistics suggest the City's population has stabilized. The City is the recond most populous city in Virginia, as shown in Table V-4.

# Table V-3 Population Trend Compariso 1960-2006

Year	Norfolk <sup>(3)</sup>	MSA <sup>(1)(3)</sup>	Virginia <sup>(3)</sup>	U.S.(4)
1960	305,872	881,600 (0)	3,954,429	179,323,175
1970	307.951	1,058,764	4,468,479	203,211,926
1980	266,979	1,160,311	5,346,279	226,504,825
1990	261,250	1,430,974	6,189,197	249,632,692
2000	234,403	1,533,739	7,079,030	281,421,906
2001	234,000	1,567,300	7,196,800	285,107,923
2002	233,600	1,574,500	7,287,800	287,984,799
2003	233,900	1,583,900	7,364,600	290,850,005
2004	235,200	1,605,900	7,481,300	293,656,843
2005	235,071	1,615,415	7,564,327	296,507,061
2006	236,092	1.623.139	7,642,884	299,398,484

Sources: Various Reports of the Bureau of the Census and the Weldon Cooper Center for Public Service, University of Virolaia.

Notes :	(1)	Until March 1993, the Hampton Roads MSA consisted of the Virginia localities of Norfolk, Cheispeake, Hampton, Newport News, Poaguson, Portamouth, Suffolk, Virginia Beach, Williamsburg, Glocoserte County, James City County, and York County. In March 1993, Mathews County, and fale of Wight County, Virginia, and Currituck County, North Carolina were added to the Humeton Roads MSA.
		the Hampton Roads Mark.

- (a) Hampion Roads MSA.

  (b) Weldon Cooper Center for Public Service, University of Virginia, is the source for the 1970 and the 1980 MSA Population.

  (b) For years 2001-2006, population estimates are from the Weldon Cooper Center for Public Service, University of Virginia.

  (c) For years 2001-2006, U.S.; population estimates are from U.S. Centust Bureau.

# Table V-4 Five Most Populous Cities in Virginia

City	2000 Census Population	2006 Population Estimate
Virginia Beach	425,257	433,549
Norfolk	234,403	236,092
Chesapeake	199,184	215,586
Richmond	197,790	192,032
Newport News	180,697	181,416

Source: Bureau of the Census and the Weldon Cooper Center for Public Service, University of Virginia.

Table V-5 provides an annual comparison of per capita personal income since 1995.

# Table V-5 City of Norfolk, Virginia Per Capita Personal Income Comparisons 1995-2004

Year	City	Hampton Roads MSA	State	<u>U.S.</u>
1995	\$18,667	\$20.856	\$24,056	\$23,076
1993	19,401	21,876	25,034	24,175
1997	20,361	22.838	26,307	25,334
1998	21,406	24,026	27,780	26,883
	22,131	24.912	29.226	27,939
1999			32,505	30,574
				30,810
				31,484
				33,050
				34,586
2000 2001 2002 2003 2004	23,546 24,870 25,563 26,935 28,611	26,364 27,779 28,803 30,990 31,811	32,503 33,013 34,014 36,160 38,390	30, 31, 33,

Source: U.S. Department of Commerce, Borons of Economic Analysis, Regional Economic Information System, 2004.

The age distribution of the City's population is presented in Table V-6.

# Table V-6 City of Norfolk, Virginia City Population Distribution by Age 1966-2000

Year	Population	Under 20	20-64	65 or Olde
1960 1970 1980	305,872 307,951 266,979 261,250	39.8% 35.4 30.7 28.1	34.3% 57.8 60.1 61.4 61.5	5.7% 6.8 9.2 10.5

Source: Various Reports of the Bureau of the Centrus.

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Businesses in the City provide residents with employment opportunities in a variety of industries of which services, government and trade are the most significant.

The unemployment rate for the City is illustrated in Table V-9.

# Table V-9 City of Norfolk, Virginia Unemployment Rates 1996 – 2005

	Norfelk	Roads MSA	Virginia	U.S.
1996	0.779	4.27	3.7	4.0
1997	6.4	4.0	3.1	76.00
1998	5.2	3.4	2.8	4.5
1999	5.0	3.2	2.7	4.2
2000	3.3	7.6	2.3	4.0
	4.0	3.3	3.2	4.7
2001	4.3	3.3	4.2	4.6
2002	5.5	4.2	4.2	2.00
7003	5.7	4.3	4.1	6.0
2002 2003 2004	5.5	4.1	3.7	5.5
2005	4.4	4.0	3.5	5.1
2006	N/A	N/A	3.0	4.6

Category Construction Manufacturing Trade, Transportation & Utilities Information Financial Activities	Number of <u>Establishments</u> 487 174 1,409 118 624	Number of <u>Employees</u> 6,149 9,331 23,252 3,502 9,003	Average Weekly <u>Gross Wage</u> 5 713 952 720 960 883	Percentage Of Employment 4.28% 6.50 20.37 2.49 6.27 14.01
Professional & Business Services Education and Health Services	976 519	20,126 35,948	955 752	25.04
Leisure and Hospitality	595	13,767	269	9.59
Other Services	634	4,117	470 1.117	8.60
Public Administration Natural Resources & Mining	6	49	962	0.03
Total	5 612	141,075	\$768	100.0%

Source: U.S. Borrow of Labor Statistics. Varginia Employment Commission, Quarterly Centus of Employment & Wages
Program.

### Housing and Construction Availability

Table V-7 provides an annual breakdown of residential building permits over the past 10 years.

# Table V-7 City of Norfolk, Virginia Residential Construction Fiscal Years 1997 - 2006

Building Permits	Number of Units	Value (in thousands
177	177	12,880
192	282	24,263
174	241	21,872
189	310	38,739
185	401	35,109
290	462	44,498
284	497	54,520
506	601	75,801
560	1.191	204,391
531	1.058	133,053
	Permits 177 192	Permits of Units  177 177 192 282 174 241 189 310 185 401 290 462 284 497

Source: Permit Tracking System, Department of Planning, City of Norfolk.

Table V-8 presents annual nonresidential construction, which includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.

# Table V-8 City of Norfolk, Virginia Nonresidential Construction Fiscal Years 1997 - 2006

Fiscal Year	Building Permits	(in thousands)
1997	53	87,688
1998	54	79,500
1999	46	52,932
2000	45	138,472
2001	35	62,046
2002	53	51,451
2003	35	24,084
2004	71	142,658
2005	70	70,677
2006	60	165,989

Source: Permit Tracking System, Department of Planning, City of Norfolk.

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Economic Development

The City is located at the epicenter of Virginia's second most heavily populated region. In the beginning of 2005, investment in development projects was announced as "55 Billion in 5 Years" drawing attention to the rapid remaissance the City is currently experiencing.

Economic development initiatives are focused on the attraction, expansion and retention of businesses, neighborhood and community revitalization and commercial corridor development. In 2005, Portes magazine transport of the City of the City

### Downtown Development

Dependown offers a mix of cultural attractions and entertainment for its citizens and tourists. Resulting from the coordinated efforts of the City, downtown properly assessed value increased 69/A3% from Froat Vera 2000 to 2007. This renalisance is the result of many years of public-private partnerships and immovative planning.

In 2005, the average rent for Downtown Class A office space increased 3.7% to \$21.09 a square foot, with vacuumly rate below 10 percent.

Class A	Rentable SF	Vacant SF	56 Vacant,
150 West Main Street	226,183	30,385	3.75%
Crown Center	62,000	0.50	0.00
Dominion Tower	403,276	17,996	11.43
Main Street Tower	200,000	30,743	21.74
Norfolk Southern Tower	301,463		0.00
Town Point Center	130,266	23,961	5.61
World Trade Center	366,941	53,664	16.03
TOTAL	1,690,129	156,749	9,97%

Norfolk's Main Street deposits reached almost \$1.6 billion in 2005, up from under \$600 million in 1994. Bank presence along Main Street indusies Bank of America, BIBAT, Monatch, Old Point National, BIBAT, Canten, Sund Tark, Towendbar, and Washovik. Biback of Hampiero Rocals, Heritage, Bask of the Commonweilth and Several credit actions are also developed.

Domilion Elementeries's, formerly Trader Publishing, new electronic media corporate headquarters is complete. Employees have begun moving into this owner-occupied, \$51 million, 20-story office tower with integral pathing in January 2001.

#### Neighborhood Revitalization

Neighborhood revitalization is one of the City's core initiatives and part of the economic development plan. By increasing the diversity of housing opportunities, the City rappets to increase the control of the City and the City and the City and commercial development is to provide an environment that will increase private actor investment, retail state generation and corresponding municipal revenue generation, retail of a framework for trapped and coordinated public and private investment and build upon and coordinate with other ongoing community development initiative.

The City's existing Tax Abatement policy is designed to benefit property owners who me substantial reinvestment in the relabilitation and reuse of mixed-use, commercial, industrial and my tenant residential property that meets eligibility standards. The Tax Abatement Program can be levera with State and Federal Historic Tax Credits.

### Residential Investment

Neighborhood corridors are experiencing a period of residential investment in new and existing properties. Norfolk's downtown area was ranked as one of the top ten for residential growth by USA. Today in May 2001 based on cersus data. Since 2001, marry 1,400 housing units are or have been under development in the Downtown con-

### New Residential Multifamily Developments In Downtown

The Downtown 2010 Plan calls for a series of initiatives, many of which are residential, whereby all of the individual developments are coordinated with public improvements. The Come Home to Norfolk Housing Initiative ha

in downtown Notion.

Residential investment continues to grow throughout the City. Several mixed-use offerings
Downtown include: Harbor Heights, a SS7 million investment, 99 condos (some lofts), with a first floor
retail grocory integral parking and two floors of administrative space for Hodward Community College.

Kotardes developers are brisding. 250 apartments in two buildings at Brambéton and Bute Streets with
an estimated value of \$45 million. S. Paul's Place is complete with 50 condon alongsida them to the street of the st

### New Residential Multifamily Projects Beyond Downtown

Larchmont: The Landings at Bolling Square is under construction. The 184 condominium unit elegiment is estimated as a \$60 million project with sales prices between \$400,000 and \$800,000.

Edge Management Area – Old Dominion University. Rehabilitation of a historic warehouse on 44th Street is complete. The building is the first along the Old Dominion University Edge Management area, an area that serves as a boundary for the University Village project. The developers are utilizing historic tax credits to retrefit the \$2,000 square foot warehouse into 25 foft-style apartments and mini storage.

retail and \$4.5 million for food while attending arts events. The D'Art Center relocated into the restored historic Seldon Arcade. This new exhibition-tyle facility features arists-at-work studios where art is created and sold. The space also features a reception area and provides thoroughfure from Main Street to City Hall Avenue.

## International Intermodal City Espan

In 2005, Nusricus, the National Maritime Center received more than 100,000 cruise thip passengers and 40,000 crewmembers to Norfolk. This makes the City the eleventh largest cruise port in the countries which provides regular service to Bermuda, the Bahamas and the Caribboan. Norfolk was selected as "Part of the Month" in April 2006 issue of Cruise Travel for its rich maritime heritage, its convenient downtown cruise facility and its investment in its new terminal. The 40,000 square foot Infall for the Cruise & Celebration Credit, the acquisition, construction and equipming of which is being fatneed with the proceeds of the City's General Obligation variable Rate Dominal Deads Series 2007 (AMT), it set to open in a giving 2007. I Variety-five sailings are scheduled from Norfolk in the next twelve monthe, with an additional five port-of-cell visite.

Over 600,000 visitors fly into the Norfalk seas every year. They spend approximately \$51.51.

The season of the se

### Hotel Development

The City continues to be a national leader in hotel performance with growth in hotel occupancy rates. In 2005, average daily rates rose from 574 to 576 per room, citywide and total head revenues increased from 8505 million 16592, million. Several extended stay hotels have been built throughout the City and the construction of a new downtown hotel, conference center and parking garage was recently assurance.

The Downtown hotel market consists of the Waterside Marriest Caevention Center, Sheraton Waterside, Radisson Hotel, the Tazeswill and the Courtyped by Marriest. Two hotels outside of Downtown opened in Center which a post of Radisson Hotels of the Downtown opened in Center which together represent a \$11.5 million investment. The Lake Wright Convention Center was redeveloped into a Quality Inn and Sleep Inn with several convention can meeting room facilities, a \$15 million project.

### Waterfront Recreation Investment

Over \$17 million of overall investment has been made recently along Norfolk's waterfronts. In Ocean View, adjacent to the East Beach shade retail area clottled "Little Assuspoils" is the Taylor's Landing Boated Marins, a \$10 million private investment bringing \$50 over cerestimated stops to the area. This marina complex is being expanded to include retail boat showrooms, a boat repair facility, condominations and restaurant and retail offerings.

## Sports and Recreation

... Norfolk has savegal waterfroots with the Chesapeake Bay on its North boundary and two major rivers within its boundaries. The City has a public bost ramp in Wallwaghby Spit with secess to the Chesapeake Bay, several other boat ramps and a rowing facility located in Lakewood Park.

Residential Projects in Redevelopment Areas - Multifamily & Single family

Ocean Flow. The seven-mile stretch of beaches on the Chesapeake Bay known as Ocean View experienced redevelopment over the past decade. More than 200 new homes have been built in Ocean View with an average value of \$250,000. Several private and public redevelopment efforts are underway, adding homes to this revitalized area.

East Beach in Ocean Flew. The first phase of construction in East Beach began in early 2003 and a portion of the homes are now occupied. The City is guaranteed a minimum of \$1.5 million from the developer plus a commission on future let sales. Infrastructure installed by the developer. Once complete, for peoplet will approximately one of the property of the proper

Broad Creek. Broad Creek is a \$200 million new community near Norfolk State University. Six hundred mixed-income homes are being bailt on the aite of two former public housing projects. Through a \$35 million libey of tyrant from the U.S. Department of Housing and U.Han Development, the Norfolk Redevelopment and Housing Authority is replacing Norfolk's two oldest public housing development with a mix of single and multi-family housing, some publicly subsidized, and a small commercial area. Plans for redevielopment of other areas of the Broad Creek Renaissance area are undervay.

Fort Norfolk. The City utilized the Urban Land Institute's advisory services and implemented some of its concepts into the initial redevelopment phase of the Fort Norfolk/Atlantic City area, including the creation of a property owners group to work in conjunction until the property owners group to work in conjunction until the property owners property owners are also a complex and Citizen comment of a locate until the property of the property of the complex and Citizen comments and Citizen comment of the property of the complex and Citizen comments of the property of the complex and Citizen comments of the property of the complex and Citizen comments of the property of the complex and Citizen comments of the comments of the

Church Street Corridor. In Westchurch, 26 new homes are completed and occupied with sales ceeding \$3.6 million.

Norfolk offers a mix of cultural attractions and entertainment for its citizens and tourists. Investments in this segment, include restoring three live performance theatree, the construction of a cuties terminal building and upgrades to civic venues. Improvements to the Virginia Zoological Pitt, Botanical Garden and the Norfolk International Airport have also greatly enhanced the tourist visitation experience.

### Support for the Arts and Humanities

Norfolk is home to the Chrysler Museum of Art, Virginia Arts Festival, Virginia Ballet, Virginia Opera, Virginia Stage Company, and the Chrysler Company of the Chrysler Chrysle Chrysler Chrysler Chrysler Chrysler Chrysler Chrysler Chrysler

### Performing Arts & Entertainment Venues

Norfolk's entertainment and theatre venues include the Attacks Theatre, the Harrison Opera House, Chrysler Muscum, and the "Theater District" which includes Chrysler Hall, Jeanne and George Rope Theater, Wells Theatre, and the NovA. In a study released by H. Blouter Hanter in June 2004, Fiscal Impact of the Arts in Downtown, more than 400,000 patrons visited and spent in excess of \$1.1 million in

The Norfolk Tides, now the Baltimore Oriole's AAA baseball team, draws more than 500,000 fans annually to Harbor Park. The 36-acre Harbor Park is on the Elizabeth River and hosts Tides baseball from April through September.

The Norfolk Admirals are a professional hockey club that plays its home games in the City's own control of the Chicago Blackhawks, Aladional Hockey League franchise are a minor league affiliate of the Chicago Blackhawks, Aladional Hockey League franchise

Arena Racing made its debut in Norfolk's Scope Arena in the winter of 2002. Arena racing drivers race one-half-scale stock cars on an indoor track. In the 2006-2007 season, the Arena Racing schedule includes more than 5 events.

Norfolk has three golf courses within the City, including the Lambert's Point golf course recently developed on the site of a former 53-acre landfill located behind Old Dominion University. This new 9-hole executive course with a 50-actained civing range boasts water views.

Norfolk dato is the bome of three major universities, Old Dominion University, Norfolk State University, and Virginia Westsyan. Norfolk State University is a member of the Mid-Eastern Athletic Conference and has a new football studium located on its campus. Old Dominion University has soccer, field backey, and baseball studiums for its key sports as well as a brand new convocation center, the Ted Constant Center, to bot its men's and women's backetall programs. Old Dominion University has just announced it is moving forward on the establishment of a football team and it currently having Price Waterhouse conducts a survey for possible studium skyboxes and corporate to the sea linearity having Price Waterhouse conducts a survey for possible studium skyboxes and corporate to the sea linearity.

### Norfolk's Educational Institutions

Available within the City are a wide variety of educational facilities including public elementary, middle and high schools, private and parochial schools, two universities, one college, one community college and a medical school.

### Public Schools

Norfolk Public Schools have a low pupil-teacher ratio with class sizes well below the national average. Norfolk offers intervaling public school programs, which include Early Childhood Education, a Norfolk offers intervaling to the public school programs, which include parents located in the public bousing community of Digas Town, at the Park PlaceCodonial Place Community Center and at Ocean Air Elementary. The school system and the City have successfully worked together to provide the School's Early Childhood Programs in there recreasion centers and to establish a partnership between the school system and libraries that will result in extended learning and homework programs for middle and high technol tradeous.

Approximately 590 million has been recently invested in Norfolk public schools. In 2004, N High School was completed. Other facilities receiving renovations and new construction individue School, Bay View Elementary, Grantby High School, Meadowbrook and Taylor Elementary.

The City is home to the Governor's Magnet School for the Arts, Virginia's only magnet school for the arts, which offers classes in performing or visual arts to approximately 300 students from six cities and two counties. The school system also has a program for gifted science students that enables them to study at Eastern Virginia Modical School.

The Broad Foundation awarded Norfolk Public Schools the "Nobel Prize" of education in This is the third year in a row that Norfolk has been selected as one of five finalists for this president award. The Broad Prize is presented annually to an urban school district that has demon considerable success in narrowing achievement gaps between groups of students while impreferomance for all the professionates of the students while impreferomance for all the students while the students

Student population for the past five years is shown in Table V-12.

Fiscal Year	Average Daily Membership	Percent Change
2002	34,702	-0.85
2003	34,349	-1.02
2004	34,030	-0.99
2005	34,445	1.28
2006	34,063	1 6 7

Source: Virginia Department of Education. Superintendents Annual Report. Table 1, Membership.

#### Private Education

Over \$91 million has been invested in private educations fiedling in the gast five years, most of it in the past year. Saint Patrick Catholic School speed in the flat of 2005. This 16-5 exer campus and the state of 2005. This 16-5 exer campus and the state of the most technologically advanced Catholic schools in the country. Specialized fieldities economizating on the arts and sports are increasingly popular. Norfolk Collegiates, Morfolk Academy and Norfolk Christian schools are all undergoing such indevelopment to provide these specialized facilities.

### Higher Education

Higher Loucation

Old Dominion University. Old Dominion University (DDU) was founded in 1930 as the Norfolk
Dévision of the Collège of William and Mary and became an independent institution in 1962. Currently,
ODU is one of only 100 public results and produce the conformation of the co

ODU's Innovation Research Park is also located in the 75-serc, mixed-size University Village. The Village has an exciting, vibrant urbun village lifetyle, complete with disting, theyping, reversation and centertainment. Amenites include a major new shock control of the village lifetyle stating, a financial stating at financial stating at financial stating at financial stating at the control of the control of

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NOTION STATE OF THE PROPERTY FOUNDED IN 1997, NORTHIN STATE UP THE PROPERTY OF THE PROP

Virginia Wezleyau College. Virginia Wezleyau College, founded in 1966, is a private, ecoducational, four-year liberal arts college on the Norfolk-Virginia Beach line.

allows on-line viewing for physicians, and a Cardiac Carbetrization Lebersiev; In addition, a Linter Accelerator came on line in 2005 to allow more diagnostic information in the treatment of all types of a Cardiac Cardiac

Children's Hospital of the Kiney's Doughters. Children's Hospital of The King's Daughters (CHKU) is the only Incibity of its kind by Verglish and incides a dedicated position; emergence mergency center. It is both a beath one facility on its kind in Verglish and incides a dedicated position; emergency center. It is both a beath one facility and teaching hospital, through its affiliation with the Eastern Virginia Medical School. The not-for-porth hospital was founded in 1961 and provides care to nearly 13,000 children cach year as inpatients and outgastients, addressing routine and complex illneases, injuries and chronic conditions. The ISST system operates primary care polativity practices, surgical practices, multi-rovice letath Centers and satellite offices throughout its service region. Also, CHKD is affiliated with The Bury Schlasson Center in Norfolk, a residential treatment center for children and adolescents with emotional problems or learning disabilities.

## The Virginia Port Authority

In 1981, the Virginia General Assembly passed landmark legislation designed to unify the ports in aoutheastern Virginia Hampton Roads harbor under a single agency, the Virginia Part Authority, with a single operating company, the Virginia International Terminals, Inc. The Port of Virginia, one of the world's largest statural deep-water harbors, is an integral part of Norfolk's economy.

Norfolk's location is suitable for international transportation and maritime commerce. Situated in the middle of the U.S. Adlantic costs, the City serves as a gateway between world commerce centers and the industrial heartland of the United States. Accordingly, the Very States of the States of the States of the Industrial heartland of the United States. Accordingly, the Very States of the States of the Industrial Industrial States of the Very States of the Industrial Industrial States owned port system including Newport News Marins Terminal, Portsmouth Marine Terminal and Virginia Inland Port in Warren Country.

Port in Warren County.

The Virginis Port Authority was the second largest port on the east coust in terms of total value of port trade in the Fiscal Year ended June 30, 2006. Nearly 16 million tons of cargo shipped from the region's there amin marine cargo termination in 2006, marking the vertical control of the Virginia have a region's there amin marine cargo termination in 2006. As a result of the events of September 11th, concern for security risk has increased. The Port of Virginia is one of the few U.S. Cuttons port sulfitting a computerized, truck-mounted gamma-ray machine to check containers' density. This technology allows monthms to ensure that the cargo being tracted is what it is supposed to be and takes only 6 seconds per commence.

Tidewater Community College. Tidewater Community College (TCC) is the second largest community college in the Commonwealth of Virginia. The college has been nationally recognized for its work. In incorporating the best of technological advances into the teaching and learning precess. It was recently cited by the American Council on Education as one of cight "Promising Practices" colleges and universities in the country for its work in international education.

Entern Firginis Medical School. Eastern Virginis Medical School (EVMS) is one of three medical schools in Virginis and is Hampton Reads' first medical schools. Students use over 10 area hospitals and clinicing for practicel trading. The school relies on private finding, upport from rate clicks, small initial state support so faiffill its mission. EVMS has made it possible for area residents to obtain specialized tratanent locality, if that achieved a reputation which brings gatients from other areas of the country for private in endocrinology, gritatrics podiatrics, oncology, dolaryngology, and reproductive medicine and inferfility. EVMS recently successfully completed a 550 million expisit campaign that establed its create centers for biomedical research, general medical education and information technology, and aging and human development.

### Institutional Technology Parks

Institutional Technology Parks

Old Dominion University - University Fillage: Old Dominion University, in partnership with the
City, the Norfolk Redevelopment and Housing Authority, and private developers, has initiated a large
scale, mixed-use redevelopment project adjacent to its campus. This redevelopment project, the
University Village, will directly import 30 seres (13 City blocks) and reach in over 250 million in
revivate and palhic investments within the project boundaries as well as stimulus additional developments
in the vicinity. The Dopes same complemented by approximately 90,000 square feet of street-level
retail facing the Ted Constant Convocation Center. In addition to the \$47 million Ted Constant
Convocation Center, investments are in land assembly, the South Parking Garage, research/office
buildings, apartments and a bottel.

Norfolk State University's RLSE Center. This 25-acro park will be an intergenerational, multi-purpose education and research facility embling and promoting innovative applied technology developments, business inculation and economic development selvities; With a total of six planes is all, facilities range from mixeness of the state of the contain approximately 40,000 group square feet, designed and constructed in a campas environment.

The second phase will house office spaces for new companies - these businesses will be able to take advantage of certain property tax breaks due to the building's location in Norfolk's enterprision/monoverment zone. In addition to the offices and tax breaks, the Center will feature technological advances including a guaranteed backup energy source that will function independently from the rest of the area and access to internet(h, the nate generation of the Internet.

### Norfolk's Medical Institutions

Within the City of Norfolk there are a total of four general, acute care and specialized hospitals.

Sentara Heulthcare. Sentara Norfolk General Hospital, a 509-bod tertiary care facility, is the region's only Level 1 Trauma Center. In 2002, Sentara Norfolk General's cardiac program maked 23rd out of the 30 U.S. hospitals named for cardiac excellence. Sentara Norfolk General's cardiac program maked 23rd out of the 30 U.S. hospitals named for cardiac excellence. Sentara Norfolk General's cardiac program maked 23rd out of the 30 U.S. hospitals named for cardiac excellence. Sentara Norfolk General (Applies and Cardiac excellence, Sentara Norfolk General and underway include bricks and mortest and in cutting edge technology.) Sentara's opened its new \$100 million Heart Hospital in Pedvasory 2006, a 112-de, 254,000 quarte fold center. The Heart Hospital is leading the way for Sentara's 2010 expansion plan for the medical complex. Sentara Norfolk General also is investing approximately \$5 million in smergarcy room enrovarions.

Bon Secours DePaul Medical Center. The Bon Secours DePaul Medical Center has received \$8.6 million in state-of-the-art medical breakthrough equipment including advanced imaging services via a Computed Tomography (CT) Secanner, called the LightSpeed 16, the new EXCITE MRI metaine that

# Table V-13 Virginia Fort Authority Terminals General Cargo Tonnage Calendar Years 2002 – 2006

	Total General Cargo Tonnage (000's)	Percent Chang over Previous Year
2002	12,824	11.1%
2003	13,954	9.0
2004	14,858	6.3
2005	15,964	7.4
2006	16.583	3.9

Source: Virginia Port Authority

Port-related business increases at the Virginia International Terminals drive new capital investment into the region. By 2012, a 300-acre expansion of Norfolk International Terminal will be completed marking it the Integre inter-module contert in the United States. Storag growth in Asian shapping. West Coast ports' labor leckowist, as well as increasing traffic at regional distribution centers, have increased business at the Port of Virginia.

### Business, Industry and Commerce

A variety of industrial, commercial and service employers are located within the City. Table V-14 presents data regarding the major non-government employers in the City.

# Tuble V-14 City of Norfolk, Virginia

Company	Number of Employees	Product/Service
Congany	10,000 +	
Sentara Healthcare		Health Care Network
DELINES LIESTONICS	2,500 - 9,999	
PHC Health Systems (1)		Health Care Provider Support
Ford Motor Company, Inc. (8)		Truck Manufacturing and Assembly
Old Dominion University		University
Ona Dominion University		Banking and Credit Card Service
Bank of America Card Services Corp.		Center
	1,500 - 2,499	
Landmark Communications, Inc.		Newspapers and Media
Medical College of Hampton Roads		Private College
NORSHIPCO		Shipbuilders and Repairers
General Foam Plastics Corporation		Plastic Extractions
Occurs Committee Conference	1,000 - 1,499	
Bon Secours DePaul Medical Center		Health Care Facility
United Services Automobile Association		Insurance Carrier
Cibiled Services Association Processing	500 - 999	
Children's Hospital of The King's Daughter		Health Care Facilities
Metro Machine Corporation		Ship Builders and Repairers
Norfolk Southern Corporation (12		Railroads
YMCA of South Hampton Roads		Social Service
SunTrust Financial Corporation		Commercial Banking
Wachovia Corporation		Banking.
Workflow		Commercial Printing and Binding
CMA-CMG (America), Inc. (1)		Shipping Company
Capital Group		Mutual Funds
		Insurance Support Center
USAA		Publishing
Bernard C. Harris Publishing		Financial Recovery Services
Portfelio Recovery Association		Magazine Publishers
Trader Publishing Company (1)		Systems Analysis and Design
Electronic Data Systems Corp. Marine Hydraulics International, Inc.		Ship Builders and Repairers
		Commercial Banking
BBAT		

Source: Virginia Employment Commiss

Notes: (1) US/North American Hendquarters.

(2) This Full Motor Company; Inc. remounced that is intend to close its Norfolk assembly, plant in Jone, 2007.

The new Hampton Roads Maritime Center is a complement to the Virginia Port's expansion. The contravolism of this 23-acre center on International Terminal Boulevard was completed in 2005. The \$10 million project houses two shipping industry trade groups, the Hampton Roads Maritimes and the Hampton Roads Shipping Associations. The complex includes two office buildings, a 15-foot sound wall and a training work yard.

In 2004, Marine Hydraulics International, Inc., opened the largest privately owned pier on the East Coast, investing \$21 million in a 1,220 foot long new pier at Lamberts Point made with 6,25 miles of concrete and 300,000 pounds of steel. This new pier is capable of docking four distroyers or two aircraft carriers.

carriers.

Construction is well underway on the 5450 million Macrik Sealand cargo terminal on 560 underwelped acres on the Potamouth waterfront – across the Elizabeth River from the downtown and Barkley sections of Norfolk with construction of the terminal expected to be completed in 2007. The facility will feature 4,000 feet (1.2) meters) of deepwater borth space foot times the current amount, and serve as a Mid-Atlantic platform for future growth. Many high profile international control of the future of the foot of

## Military

The presence and role of the military in Norfolk remains a positive force and continues to have a significent impact on the local economy. The City is the home of the world's largest naval complex, with handquarters for Commander in Chief of U.S. Atlantic Command, NATO's Superior Allied Command, Adattic, Commander in Chief U.S. Admine Floret and other militor naval commands. The City does not satisfigure any reduction in its military presence as a result of the 2005 Base Realignment and Chouse (BRAC) process. Although the military remains a key part of Hampton Roads' economy, the region has successfully diversified its economy in recent years.

The Navy's direct connents in seconomy in recent years.

The Navy's direct connents impact on the region was \$10.8 billion in 2005, comprised of a total manual payroll of \$6.7 billion and the balance consumed on goods and services and procurement contracts. The City expects to continue as a center of activity for the U.S. Navy with current total personnel (milary and civilian) in execuse \$4.00,00. There were \$4.773 active-day Navy military personnel in Hampton Roads in 2003, of which 68% were assigned to Norfolk.

Hampton Roads is the largest center of Coast Guard units in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic handquarters in down

Table V-15 is a representation of selected business growth or expansion in 2005 and 2006.

# Table V-15 City of Norfolk, Virginia Business Growth A Sampling of Business Activity in 2005-2006

Company	Type	Investment (Mil)
Air Wisconsin Airlines Corporation	Aircraft Maintenance and Flight Crew Hub	\$31.00
Berkley Shopping Center	Shopping Center	\$4.70
Bio-Electrics Phase II	Biotechnology Consulting Firm	\$1.25
Central Center Office Building	Office/Flex	\$4.00
Church Street Executive Center	Office/Flex	\$7.00
CMA-CGM America Inc.	North American HQ, Shipping Line	\$15.00
Colonna's Shipyard	Ship Repair/Industrial Fabrication	\$4.20
Commander Corporate Center	Military Apparel Manufacturer	\$24.00
CorrPre Companies	Corresion Protection Services	\$0.30
Cruise Ship Terminal	Cruise Ship Terminal	\$41.00
Delphinus Engineering	Office/Flex	\$2.25
Dister Wholesale Printing, Inc.	Manufacturer Business Cards	\$0.90
Gheat Towers South	Mixed-Use Residential/Office/ Hotel	\$80.00
Hampton Inn	Hotel	\$9.00
Hilton Hotel and Conference Center	Hotel and Conference Center	\$76.00
Maersk Line Ltd.	Shipping Contractor Headquarters	\$.
Marine Hydraulies International	Ship Repair Facility	\$21.00
Mark Barr - Denison Building One	Office/Flex	\$1.80
Mark Barr II - Denison Building Two	Office/Flex	\$1.80
Norfolk Airport Hilton	Hotel Renovations	\$18.00
P&P LLC	Office/Flex	\$5.40
Phoenix Industries	Underwater Ship & Marine Structure Repair	\$0.13
RBC Centura Banks	Commercial Banking	5-
Ride-Away Corporation	Retail	\$1.00
SAIC Norfolk	1T/Communications	\$1.70
Savannah Suites	Hotel	\$6.00
Sentara Heart Hospital	Hospital	\$100.00
Social Security Administration	Office Building	\$8.50
Spring Hill Suites by Marriot at ODU	Hotel	\$10.00
Taylor Executive Center	Office/Flex	\$5,50
Taylor's Bostel and Marina	Marina Facility	\$7.58
Techcon General Contractor	Construction Management	\$1.00
The Titan Corporation	IT/Communications	\$ -
Tidewater Comm. Coll. Student Center	Student Center	\$14.00
TowneBank of Portsmouth	Commercial Banking	\$ -
Trader Publishing Company	Office Tower	\$51.00
US Gypsum	Plant Expansion	\$132.00
Va Eye Consultants & Surgery Center	Eye Clinic and surgery center	\$15.00
Wal-Mart Super Center	Retail New Super Center	\$31.00
Wasshi Systems	Custom Software	\$0.80

Source: City of Norfolk, Economic Development Department.

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### APPENDIX A

CITY OF NORFOLK, VIRGINIA GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR

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# McGladrey & Pullen

Independent Auditor's Report

To the Honorable Members of the City Council Norfolk, Virginia

Nervous, veryfall

We have audied the accompanying financial statements of the governmental activities, the business-type solvities, the aggregate discretely presented component units, such major hord, and the aggregate menaling fund information of the CRy of Norfols, Verginia flee "Cary", so of and the solven and duty and 20,000, which concluded on of the CRy of Norfols, Verginia flee "Cary", so of and the solven and duty and 20,000, which concluded the comprise the CRy of the C

We concluded our subtract and in accordance with subtract standards generally accepted in the United States of America, the standards generally accepted in the United States of America, the standards applicable to Financial sudts contained in Coverment Auditing Standards, bossed by the Conspirable of States and the Spoolitispions for Audits of Counties, Cities and Towars, assed by the Auditor Officers of the United States and the Spoolitispions for Audits of Counties, Cities and Towars, assed by the Auditor Orbitis Accounts for the Commonwealth of Virginia. Those standards require that we plea and perform the audit to obtain esponsable assurance about whether the financial statements are two of marketisments. An audit obtain includes asserting on a lest basis, wholeves appropriate amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as relatance to the counting and account of the counting principles used and significant estimates made by management, as well as relatance to the counting principles used and significant estimates made by management, as well as relatance to the countificance of the counting principles used and significant estimates made by management, as well as relatance to the countificance of the counting principles used and significant estimates made by management, as well as relatance to the countificance of the counting principles used and significant estimates made by management, as well as adults and the report of the other auditors provide a restorable basis for our options.

In our opinion, based on our sucti and the report of the other auditors, the financial statements referred to above present tarity, in all material respects, the respective flancial position of the operamental autilities, the business-type soft-tiles, the appropried component units, each maps fand, and the appropried remaining hard information of the CPU of Months, Veginia, as of alm a 50, 2005, and the respective changes in financial position and cash flows, where applicables, thereof, for the year sen ended in conformity with accounting principles generally accepted in the United States of Amenting

As discussed in Note XXV to the financial statements, the City restated beginning Net Assets to correct errors associated with improper capitalization of capital assets. As also described in Note XXV, a discretely presented component unit restated beginning Net Assets to correct previously reported amounts. In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2006 on our condensation of the City of Norfok, Vegning's internal control over financial reporting and no our tests of this compliance with contain provisions of laws, regulations, controlled, and grant agreement and other markers. The purpose of fast report is to describe the scope of our testing of internal control over financial reporting and compliance. The results of that testing, and not be provide an option on the internal control over financial reporting or an origination. That sport is an intergual part of an audit provides our control over financial reporting discharged and should be considered in supposing the results of our adult.

Management's Discussion and Analysis information on pages 3 through 14, the schedule of funding progress on page 83, and the general fund budgetary comparisons on pages 54 through 84 are not a required part of the basis formation statements but are supplementary information required by the Government Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and procedures, which consisted principally of inquiries of management regarding the information and express no opinion on it.

Our such was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Models, Virginia's basic financial statements. The combining and individual fund financial statements and other schoolules lated in the table of contents as supplementary individual or a required part of the basic financial statements and other schoolules lated in the table of contents as supplementary individual or a required part of the basic financial statements. And discovery of the supplementary of t

The accompanying introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McHadrey of Pallere, LLP

Greensboro, North Carolina November 27, 2006

atyCladrey & Puller, LLP is a member firm of SI(A) indemaktical, an efficience of separate and independent legal entities.

# MANAGEMENT'S DISCUSSION

## AND ANALYSIS



4.7

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (cusiness-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, public health, and culture and recreation. The business-type activities of the City include Water Utility, Wastewater Utility and Parking Facilities enterprise activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: Norfolk Public Schools (School Surfol-Norfolk Redevelopment and Housing Authority (NRHA\*), and the Norfolk Community Services Board (\*CSB\*). Financial information for these component units is reported separately from the financial information presented for the primary government and can be found on pages 28-29 of this report.

Fund financial statements - A fund is a grouping of related accounts used to maintain country over resources that have been segregated for specific activities or objectives. On City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the Basic Financial Statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outlows of spendable resources, as well as no balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term impact of the government's near-term financing decisions. A reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006

The management of the City of Norfolk (the "City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. As readers, you are encouraged to read this discussion and analysis in conjunction with the transmittal letter and City's financial statement information included in this report.

#### Financial Highlights

- 4 The assets of the City exceeded its liabilities at the close of fiscal year 2006 by \$797,282,397 (net assets). Of this amount, \$140,087,765 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Total net assets increased by \$9,441,006, which includes a restatement to the beginning net assets of \$20,822,292.
- 4 As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$139,787,169, a decrease of \$45,331,269 in comparison with the prior year. This decrease was primarily attributable to the fact that the City's liquidity position was strong and it delayed selling bonds for ongoing capital improvement projects. Approximately \$33,750,000 is available for spending at the government's discretion (unreserved fund balance).
- 4 At the end of the current fiscal year, unreserved fund balance for the general fund was \$66,619,274 or 14.63 percent of total general fund expenditures.
- The City's total outstanding bonded indebtedness decreased by \$45,186,173 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The financial section of this report includes managements discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2 did not loose to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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#### CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006

The City maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general, capital projects and debt service funds, all of which are considered major funds. All other governmental funds are combined in a single, aggregated presentation. Individual fund data for each of the non-major funds are presented separately in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its various funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided in this report.

The basic governmental fund financial statements can be found in pages 19-22 of this report.

Proprietary funds. The City maintains two types of proprietary funds: enterprise and internal service.

The enterprise funds are used to account for its Water Utility, Wastewater Utility, and Parking Facilities operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City has two internal service funds, Fleet Maintenance and Storehouse operations. Because, both of these services predominantly benefit governmental functions, they are included within the governmental activities in the governmental functions, they are included within the governmental excities in the governmental varieties.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Utilities and the Parking Facilities expertations, all of which are considered major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in this report.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The fiduciary funds for the City Include the City's pension trust fund, the Commonwealth of Virginia agency fund and another miscellareous agency fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used in proprietary funds.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006

The fiduciary fund financial statements can be found in pages 26-27 of this report.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 30-96 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees required supplementary information can be found in on pages 87-92 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 93-95 of this report.

### Government-wide Financial Analysis

Over time, net assets may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$797,282,397.

By far, the largest portion of the City's net assets, \$650,589,675 is its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any debt related to acquiring the asset in the most recent fiscal year that is still outstanding. These capital assets are used to provide services to otteras and are not available for future spending. Although the City's investment in its capital assets is reported not of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets its members cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (0.83 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$140,087,765 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

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### CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006

### City of Norfolk's Net Assets

			Business-Typ	a Arthities	Totals			
	Government	al Activities	BOSINESS-122	No Property lies		2006		
		(As Restated)	2006	2005	2006	(As Restated)		
	2006	(As Resumed)	1000					
Revenues:								
Program Revenues		5 29 129 154	\$ 117.503.915	5 103,390,264	\$ 149,490,361	\$ 132,519,418		
Charges for Services	\$ 31,986,445	\$ 29,129,154	8 111,000,010		116,827,425	116,399,391		
Operating Grants & Contributions	116,827,425	110,399,391	78.245		78.245			
Capital Grants & Contributions			10,243					
General Revenues:					217.767.526	193,156,109		
Property Taxes	217,787,326	193,156,109			157,616,191	150,477,469		
Other Taxes	157,616,191	150,477,469						
Grants and Contributions not					68,133,495	68,219,143		
restricted for specific purposes	66,133,495	68,219,143		4.494.243	30.229.351	15.628.024		
Other	23,157,327	11,133,781	7,072,024	4,494,244	3.248.712	2.277.190		
Special Rems	3,248,712	2,277,190	124 654 184	107 884 507	743,411,100	678.676.744		
Total Revenues	618,756,922	570,792,237	124,654,184	107,004,007	149,411,100	0.100.00		
Expenses:				50	94 793 311	74.344.364		
General Government	94,763,311	74,344,364			42,493,827	40.319.294		
Judicial Administration	42,493,827	40,319,294		100	106.704.494			
Public Safety	105,704,494	107,530,829		-	109,905,689			
Public Works	109,906,689	144,437,907	-		91,443,328			
Heath and Public Assistance	91.443.328	84,172,798			44,933,946			
Culture and Recreation	44,933,046	46,267,573			14,933,046			
Community Development	14,930,484	16.973.721			92.594.910			
Education	92,594,910	91,864,910						
Interest on Long-Term Debt	19.564.845	18.515,907			19,564,845	10,010,00		
Intergovernmental					62 009 001	60,207,309		
Water Utility			62,009,009					
Wastewater Usiny			15,447,997		15,447,990			
Parking			18,355,869		18,355,864			
Total Expenses	617,334,934	624,427,383	95,812,874	91,629,416	713,147,80	8 716,050,799		
Increase (decrease) in Net Assets								
Increase (decrease) in Net Assets	1.421.98	(53.635.146)	28,841,310		30,263,29	8 (37,380,055		
before Transfers Transfers	11,867,53		(11,867,535	(10,000,000)	_	8 (37.580.055		
	13.289.52		16,973,775		30,263,29			
Increase (decrease) in Net Assets	481,412,06		285,607,032		767,019,09			
Net Assets Beginning of Year	\$ 494 701 59		\$ 302,580,80	\$ 265,607,032	\$ 797,282,39	7 \$ 767,019,091		

Governmental Activities. Property taxes and other tax revenues increased 9.25 percent to \$375,403,517 and comprise 60,67 percent of total governmental revenues.

Operating grants and contributions for governmental activities ended the fiscal year at \$116,827,425 an increase of \$428,034 over the prior year. Grants and contributions not restricted for specific programs represent intergovernmental grants and contributions from State and federal agencies. At tiscal year end, the City reported \$68,133,495 in grants and contributions not restricted for specific programs.

Depreciation expense for governmental activities of \$120,904,139 was recorded.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006

City of Norfolk's Net Asset

	Governmen	Ital Activities	Business-Ty	roe Activities	To	Della
	2006	2005 (As Restated)	2006	2005	2006	2005 (As Restated)
Current and Other Assets	\$ 213,516,003	\$ 240,697,502	\$ 87,511,694	\$ 89,188,952	\$ 301,027,697	\$ 329,886,454
Capital Assets	801,152,691	785,557,939	689,797,891	678,564,827	1,490,950,582	1,464,122,766
Total Assets	1,014,668,694	1,026,255,441	777,309,585	767,753,779	1,791,978,279	1,794,009,220
Long-Term Liabilities	470,125,834	506,304,607	461,134,881	471,110,628	931,260,715	977,415,235
Other Liabilities	49.841,270	38.538.767	13,593,897	11.036.119	63,435,167	49.574.886
Total Liabilities	519,967,104	544,843,374	474,728,778	482,145,747	994,695,882	1,026,990,121
Net Assets: Invested in Capital Assets						
Net of Related Debt	391,391,975	382,754,967	259.197.700	227,044,069	650 589 475	619,799,036
Restricted	6.604,957	6.788.142			6.604.967	6,788,142
Unrestricted	96,704,658	91,868,958	43.383.107	48,562,963	140.087.765	140,431,921
Yotal Net Assets	\$ 494,701,590	3 481,417,067	\$ 302,560,807	\$ 285,607,032	\$ 797,282,397	\$ 767,019,099

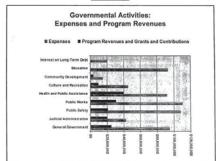
For governmental activities, net assets (as restated in fiscal year 2005) increased by \$13,289,523, during the current fiscal year.

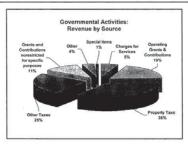
For business-type activities, net assets increased by \$16,973,775 during the fiscal year. Of this amount, \$7,846,781, \$5,910,812 and \$3,216,182 are attributed to Water Utility, Wastewater Utility and Parking Facilities, respectively.

Key elements of these changes are demonstrated on the following page:

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#### CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006





# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006

- Business-type Activities. Business-type activities increased the City's net assets by \$16,973,775. Key elements of this increase are as follows:

   Charges or services for business-type activities increased by 13,65 percent.

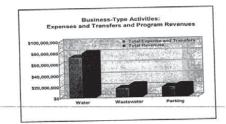
   Charges or services for business-type activities increased by 13,65 percent.

   The Water and Wastewater Uility funds account for a significant portion of the water and Wastewater Uility in funds increase. As part of the City's utility rate plant to improve utility infrastructure throughout the City, the Water and Wastewater Uility rates were increased by \$0,25/100 cubic feet and \$0,10100 cubic feet, respectively. Water consumption did not increase appreciably during the fiscal year.
  - respectively. Water contamination was to an adjacent municipality under in addition, the City began selling water to an adjacent municipality under a new wholesale customer contain. Additionally, contract provisions with another wholesale customer contain certain true-up' provisions when actual payments the City received for services rendered are compared to contractual calcutations of revenues and expenses. The "true-up' process is performed biannually and resulted in additional revenues to the Water Utility Fund.

  - Ubliky Fund.

    Operating expenses increased by 4.56 percent.
    Personal services increased as a result of general wage increases and retirement and other benefit cost increases.
    The most significant increase in expenses were in the Wastewater Utlirly Fund and were related to emergency repairs to several large wastewater plans broughout the City.

    Gains on the disposal of assets were \$1.127.508.
    The gains were primarily the result of the sale of property and a fishing station adjacent to a City water reservoir.



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## CITY OF NORFOLK, VIRGINIA T'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006 MANAGEMENT

general economic downturn and for its self-insured workers' compensation and general liability programs. In the 2007 fiscal year an additional \$1,000,000 will be added to the self-insured fund balance designation.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues above projections by \$7,635,484. Total expenditures were less than appropriations by \$6,685,635.

- General fund financial and budgetary highlights of the 2006 fiscal year include:

  4. As a result of a strong housing and commercial property markets, general property lax revenues are included to the strong housing and commercial property taxes exceeded budgets become and the strong property taxes accepted budgets become and the strong property taxes accepted budgets become and the strong property taxes accepted budgets budget primaril the City
  - are u.my.

    Interest earnings primarily as a result of rising interest rates exceeded budgetary
    expectations by \$1,463,464; and

    Reduced revenues from the state and federal public assistance grants and
    education programs were generally offset by local spending reductions.

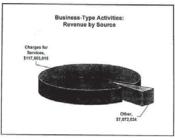
Supplemental appropriations or amendments of the total 2006 general fund budget \$ 726,401,200 Approved FY 2005 - 2006 budget

Supplemental Appropriations
Additional Funds for voting maching equipment
Additional Funds for various capital improvements
Establishment of a 51 hoof- bed tax
Increase state allocation for street maintenance 367,200 900,000 300,000 63,834 5 728,032,234 Final Budget

The Capital Projects Fund, another major governmental fund, expended \$91,831,602 on major capital improvements during the fiscal year. The fund had a total fund balance off \$20,885,165. In the 2007 fiscal year, the City Sold \$115,055,000 in general obligation bonds to partially reimburse the fund for these expenditures.

The Debt Service Fund does not have any assets, liabilities or net assets at fiscal year .end...During the year \$55,726,624 were transferred in from various funds to pay for an equal amount of debt service requirements.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006



### Financial Analysis of the Government's Funds

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – the focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$139,767,169, of which \$56,017,335 is reserved. That portion of fund balances that is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders of the prior period (\$49,347,737), 2) to generate income to pay for the perpetual care of the municipal cometery (\$6,224,957), and 3) for avariety of other restricted purposes (\$744,641). The remaining \$33,749,834 is available for spending at the government's discretion.

The City's primary governmental fund is its general fund. As a matter of fiscal policy, the City undesignated, unreserved fund balance is equal to five percent of the general government's and School Board's annual operating budgets, or \$42,651,915. The City designated \$8,740,162 of its fund balance for future expenditures related to a potential

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### CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006

Proprietary Funds - the City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### Capital Asset and Debt Administration

Capital Assets - the City's investment in capital assets, net of related debts, for its governmental and business-type activities as of June 30, amounts to \$850,589,675. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, etc) machinery, and equipment. Infrastructure series of the proximately 41,53 percent of total general governmental assets.

- Some of the major capital asset events during the current fiscal year include:

   Significant progress on the construction of the Half Moone Cruise and Celebration Center adjacent to the National Maritime Center occurred during the fiscal year. During the year, the City expended \$15.1 million on construction expenses. The facility is anticipated to open late spring or early summer of 2007.

   The City expended \$2.8 million for the continuing construction of the new police
- The City spentad 32.6 million in various improvements at the Scope Arena.
  The City invested \$3.6 million in various improvements at the Scope Arena.
  The City spent \$10 million for the continuing construction of Norview Middle School and the renovation of Blair Middle School.

  \$3.7 million was spent on enhancing and improving sound walls throughout the
- City.

  \$3.2 million of infrastructure improvements were continued at the City's Broad Creek Renaissance neighborhood revitalization area.

  \$4.4 million of various neighborhood conservation efforts continued in the City.

						of accumulate						
		Governmen	nut A	Activities 2005		Business-Ty	94	Activities		To	tals	2005
		2006		(As Restated)		2006		2005		2006	-	(As Restated)
Land	-	31,502,008	1	27,441,986	-5	43,075,947	-	42,527,523	-	74,577,955	3	69,969,509
Buildings & Equipment		324,899,336		327,368,942		577,128,405		555,428,977		902,027,741		882,797,919
Improvements other than Buildings		14.015.226		13.316,112		7,108,785		7,108,785		21,124,011		20,424,897
Construction in Progress		97,978,812		71,690,426		62,484,754		73,499,542		160,463,566		145,189,968
Infrastructure		332,757,309		345,740,473						332,757,309		345,740,473
Total	3	801,152,691	3	785,557,939	3	689,797,891	_	678,564,827	1	1,490,950,582		1,464,122,766

Additional information on the City's capital assets can be found in Note VII on pages 49-50 of this report.

Long-term Debt - At June 30, 2006 the City (including the enterprise funds) had total bonded debt outstanding of \$850,031,461. Of this amount, \$475,872,461 comprises

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006

debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

A summary of the City's outstanding bonded debt is as follows:

	Covernmental Activities	Business-Type Activities	Totals
	2006 2005	2006 2005	2006 2005
General Obligation Bonds Revenue Bonds	\$ 382,773,339 \$ 421,006,476	\$ 93,099,122 \$ 91,520,158 374,159,000 382,689,000	\$ 475,872,461 \$ 512,528,634 374,159,000 382,689,000
Total	\$ 382,773,339 \$ 421,008,476	\$ 467,258,122 \$ 474,209,158	\$ 850,031,461 \$ 895,217,634

The City's total debt decreased by \$45,186,173 (-5.05 percent) during the current fiscal year. The City issues debt, in part, based on its cashflow capital needs which is the primary factor for this decrease. The City sold \$11,500,000 in wastewater general obligation bonds to fund various wastewater related capital improvements.

Credit ratings for the City's general obligation and water revenue bond programs are as

Bonding Program	Fitch Ratings	Standard and Poor's	
General Obligation	AA	AA	A1
Water Revenue	AA	AA	A1

The City's parking system does not maintain an underlying credit rating.

State statutes limit the amount of general obligation debt a city may issue without referendum to 10 percent of its total assessed valuation. The current debt limitation for the City is \$1,269,213,257 which is significantly in excess of the City's general obligation debt outstanding.

Additional information on the City's long-term debt can be found in Note VIII on pages 51-62 of this report.

- Economic Factors and Next Year's Budgets and Rates

  The commercial and housing property markets continue to expand at record levels. For the 2007 fiscal year it is anticipated that taxable assessments of real property will increase by 22.6 percent;

  Other local taxes continue to increase reflecting the renaissance in not only downtown Norfolk, but the community as a whole. The following reflects major other tax change projections:

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CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2006

## Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Business Services, 810 Union Street, Suite 600, Norfolk, Virginia, 23510.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2006

- Sales Tax = 6.5 percent increase;
   Business License = 9.5 percent increase;
   Restaurant food taxes = 5.4 percent increase; and
   Hotel and Molet Tax = 12.7 percent decrease
   Rate increases for both the Water and Wastevater utility funds continue to provide necessary funding to finance capital improvements;

All of these factors were considered in preparing the City's budget for the 2007 fiscal

The City appropriated \$3,085,000 of its General Fund balance for use in the 2007 fiscal year budget for non-recurring types of expenditures.

The following represents changes in major tax rates and fees for the 2006 fiscal year:

Description	FY 2007 Approved	FY 2006 Approved		
Real Estate Property Tax	\$1.27/\$100 Assessed Value	\$1.35/\$100 Assessed Value		
Refuse Disposal – Business (1 times per week)	\$26.45/unit/month	\$23.26/unit/month		
Refuse Disposal – Business (5 times per week)	\$65.56/unit/month (CBD Only)	\$57.64/unit/month (CBD Only)		
Refuse Disposal - Residential/Single Unit	\$14.50/Unit/Month	\$12.75/Unit/Month		
Wastewater Fees	\$2.67/100 Cubic Feet	\$2.57/100 Cubic Feet		
Water Fees	\$3.37/100 Cubic Feet	\$3.26/100 Cubic Feet		
Storm Water Fees - Residential	\$7.60/month	\$5.48/month		
Storm Water Fees - Commercial	\$5.24/month per 2,000 square feet	\$3.72/month per 2,000 square feet		

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BASIC FINANCIAL STATEMENTS



### CITY OF NORFOLK, VIRGINIA Statement of Net Assets June 30, 2006

Exhibit 1

	_	P	rima	ry Government				
	G	overnmental Activities	04	usiness-Type Activities		Yotal	G	omponent Units
ASSETS	_	1000000000	27			152,137,275		68.745.530
Cash and cash equivalents	3	122,838,749	5	29,298,526		102,137,275	,	5,260
Cash held in escrow with fiscal agent						9.996.562		4.024.492
Restricted cash held with fiscal agent.				9,966,562		11,931,602		15 180 043
investments		3,802,401		8,129,201		11,931,602		19,180,043
Receivables, (net)						32 459 995		191
Taxes		32,469,995				23,602,614		2.983.880
Accounts		7,279,775		16,322,839		91,506		47,154,089
Notes.		91,586				617.371		448.389
Accrued investment income		535,398		81,973				818.047
Other				452,754		452,754		
Tenants						*		146,308
Internal balances		6,716,170		(6,716,170)				
Due from other governments		37,941,621				37,041,621		19,229,244
Due from other primary governments		326,689				326,689		10,872,206
Due from other agencies								4,411,545
loventories		2,154,485		1,870,091		4,024,576		1,753,332
Restricted cash and investments				27,823,074		27,623,074		12,749,008
Other assets		259,134		272,844		531,976		22,531,416
Non-depreciable capital assets (See Note VII)		129,480,820		105,560,700		235,041,520		55,795,522
Depreciable capital assets, net (See Note VII)		671.671.871		584,237,191		1,255,909,062		140,509,863
Yotal assets		1,014,666,694	$\equiv$	777,309,585	=	1,791,978,279	_	407,358,174
LIABILITIES		16 342 943		5.031,170		21.374.113		10.865.857
Voushers/Accounts psystre						675.807		10,000,007
Employees withholdings		675,807				2,650,116		591,467
Contract relainage		1,632,725		1,017,390		9,008,409		200,000
Apprued interest		5,826,765		3,181,644		4,838,651		29,126,559
Accrued payroll		4,419,603		419,048		4,030,001		960,583
Due to other agencies						6.208.648		139,946
Due to other governments		6,208,648				11,198,895		130,000
Due to other primary govicomponent units		11,198,895				3.718.909		4.193.550
Other current liabilities		2,551,944		667,045				
Deferred revenue		983,939				983,939		6,558,396
Liabilities payable from restricted assets Other long-term liabilities		:		2,424,600		2,424,600		22,300,614
Long-form liabilities (See Note VIII) :								
Due within one year		79.081.904		22,777,143		101,859,047		14,848,900
Due in more than one year		391,043,930		439,210,738		830.254.668		72,861,544
Total liabilities	_	519,967,104	_	474.728.778	_	994,695,882		167,450,427
NET ASSETS		411111111111111111111111111111111111111					_	
Invested in capital essets, net of related debt		391,391,975		259,197,700		650,589,675		171,252,706
Restricted for:								
Perpetual sare:		5.924.957				5.924.957		
Nonexpendable		0,024,007						5.324.690
Capital projects		680,000				680,000		
Retirees' life insurance		660,000				********		4 646 58
Debt service								38.472.11
Other programs		96 704 658		43.383.107		140,087,765		25,211,65
Unrestricted	-		-		7	797.282.397	1	244,907,747
Total net assets	.1	494,701,590	-	202,360,607	÷	141,282,007	÷	200,000,00

The accompanying noise are as integral part of A+19

CITY OF NORFOLK, VIRGINIA Balance Sheet - Governmental Funds June 30, 2006

Exhibit A-1

		Major Funds		Non major	Total
	General	Capital	DVM	Governmental	Governmental
	Fund	Projects	Senice	Funds	Funds
ASSETS				5 37.257.781	\$ 119,462,191
Cash and cash equivalents	\$ 51,622,665	\$ 30,581,745		\$ 37,257,781	3,802,401
invesiments		3,802,401			20000
Receivables, net					32,409,995
Taxes	32,469,995			4,925,569	6.855,337
Accounts	1,800.949	66,800	51	4,943,366	91,586
Notes	91,586				535,396
Accrued investment income	535,398			882,997	12,752,222
Due from other funds	7,135,658	4,733,567			326,689
Due trum component unit				326,669	21,244,227
Receivable from other governments	31,244,227				250,134
Deposit contractors		256,050		3,084	\$ 207,799,180
Total assets	\$ 124,960,478	\$ 20,442,563	-	1 43,394,139	\$ 207,799,180
LIABILITIES					
Vouchers/Accounts payable	\$ 7,408,293	\$ 6,006,647	5 -	\$ 1,919,365	\$ 15,334,305
Employee withholdings	675,807				675,807
Contract retainage		1,308,909		323,817	1,652,726
Account payrell	4,009,898	16,052		209,147	4,355,007
Due to other funds	2,951,509	379,577		2,722,961	6,054,067
Due to other governments				411,254	411,254
Due to component units		10,846,213		352,662	11,198,800
Deferred revenue	24,833,977			983,939	25,817,916
Other Sabilities	2,344,662		-	207,282	2,551,944
Total Sabilities	42,284,146	18,557,398		7,190,467	68,032,011
FUND BALANCES					
Reserved for:					
Encumbrances	15,377,058	20,885,165		13,085,514	49,347,737
Perpetual care	-		100	5.924,957	5,924,95
Capital projects		**		64,641	64,64
Retires reserve	680,000		100		660,00
Unreserved, reported In:					
General Fund -Designated Future expenditures	30,217,662		1.0		30,217,660
General Fund - Undesignated	36,401,612				36,401,612
Capital Projects					
Special Revenue Funds				17,130,560	17,130,56
Total fund balances	82,676,332	20,885,165		26,205,672	129,767,10
<b>Total Sublities and fund balances</b>	\$ 124,960,478	\$ 39,442,563	5 .	\$ 43,396,139	\$ 207,799,18

\$ \$0.00,000 \$0.00,000 \$0.00,000 \$1.0 117,767,005 HARRY 107 HARRY 107 LETCHO HARRY 177,005 HARRY 175,005 5,116,675 CSMT-88 SMT-210 86,376,716 A-20

CITY OF NORFOLK, VIRGINIA Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2006

Exhibit A-2

\$ 129,767,169 Fund balances-total governmental funds Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds : Cost of capital assets 1,867,502,762
Depreciation expense to date (1,072,494,406) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds : 24,833,977 (475,256,257) 10,348,355 \$ 494,701,590 Net Assets of Governmental Activities

Exhibit A-3

Exhibit B-1

# CITY OF NORFOLK, VIRGINIA tvenues, Expenditures, and Changes in Fund Balances Governmental Funds For Fiscal Year Ended June 30, 2006

			Majo	Funds			N	on-major		Yotal
	-	General	_	apital		Debt	Gav	ammental.	Gov	emmental
		Fund		rejects	_	Service		Funds		Funds
REVENUES	7	200000000000000000000000000000000000000						1,192,498		211,788,333
Deneral property taxes		210,595,635					•	9.279.284	•	157,616,191
Other local taxes		148,336,907				*		9,219,204		4,088,238
Permits and licenses		4,068,238								1,461,418
Fines and forfeitures		1,461,418				*		694,204		10,497,658
Use of money and property		7,069,758		2,733,696		-		15.894.524		32 777 060
Charges for services		16,677,536								33,493,504
Miscellaneous		5,925,598		11,874,613				15,693,393		12,666,645
Recovered costs		12,666,645								
Intergovermental		117,717,242	_		_		_	31,959,419	_	149,796,961
Tutalregenes	:=	524,819,177	_	14,608,309	_	_	_	74,713,322	_	614,140,808
EXPENDITURES										
Current operating:										
General povernment		88,834,205		1.00				3,227,621		92,062,026
Audicial administration		40,889,147						906,346		41,795,495
Public selboy		93,709,757				100		11,924,388		105/634,145
Public works		34,276,568						12,682,199		46,958,767
Health and public assistance		65,696,005				16		25,866,867		91,534,932
Culture and recreation		32,833,720						10,161,490		42,995,210
Education		92,594,910								92,594,910
Community development		6,468,840						7,080,427		13,512,267
Debt service:										57.659.547
Principal						37,659,547				
Interest and other charges				-		18,067,077		735,186		16,602,263
Capital outley				91,631,602	-		_	-	_	91,631,602
Tetal expenditures	-	455,273,212		91,631,602		55,736,624	_	72,589,726	_	675,221,164
Excess (deficiency) of revenues ever										
expenditures		69.545.965		(77,023,290)		(55,726,624)	_	2,123,596	_	(61,080,356)
OTHER FINANCING SOURCES (USES)	-									
Property of capital leases		4,828,468				-				4,828,468
Unwedged gain (loss) on investments				(121,916)		100		-		(121,910
Transfers in		11,835,850		14,395,418		55,726,624		15,225,772		97,184,004
Transfers out		(71,712,560)		(2,132,676)	l.c		_	(12,296,891)	_	(86,142,125
Total other financing sources and uses		(55.048.242)		12,141,824		55,736,634	_	2,929,861	_	15,749,087
Net change in fund belance		14,497,723	_	(64,881,469)				5,052,477		(45,301,200
Fund belances-beginning		68,176,609		85,796,634	١.			31,153,155	_	185,098,430
		4 43 434 333	-	20 885 165			- 1	36.305472		139,767,16

The recompreying notes are as largest part of the fix A+23

# CITY OF NORFOLK, VIRGINIA Statement of Fund Net Assets - Proprietary Funds June 30, 2006

		Business-Type	Activities		Governmental Adivises-
		White-	Parking		Internal Service
	Water	Water	Facilities	Totals	Funds
ASSETS					
Current assets:			of topicalized to		1 3,376,558
Cash and cash-equivalents	\$ 18,001,900	\$ 10,141			\$ 3,374,550
Investments	6,079,201		2,050,000	8,129,201	
Receivables:					****
Accounts (Inel)	11,526,794	1,682,334	1,081,977	14,291,105	424,439
Unbited accounts	1,154,313	877,421		2,031,734	
Accrued investment income	74,301		7,672	81,973	
Other receivables	460,000	2,754		462,754	
Internal balances	418,926	110,275		529,204	37,795
Investories	1,485,191	46,747	336,163	1,870,091	2,154,485
Corner asserts			272,844	272,844	-
Restricted cash held with Social agent	7,404,483	21,752	2,540,327	9,906,502	
Total ourset assets	46,605,079	2,751,424	17,577,488	66,933,991	5,993,277
Restricted investments	8,900,000	12,402,744	6,520,330	27,823,074	-
Capital assets:	26.115.081	40.765.476	30679.143	105.560,700	415.000
Land and improvements	512 107 835	120.714.729	135,437,959	768,260,533	10,588,450
Buildings and equipment.		(33,329,416)	(35.799.577)	(184,023,342)	(4,859,106)
Assumulated depreciation	(114,934,347)	194,151,797	130,357,525	689,797,895	6,144,345
Capital assets, net	425,288,569	146,554,541	136,877,855	717.620905	6.144345
Total noncurrent assets	434,188,569	149,305,965	154.455340	784 554 995	12.137.622
Total sessits	480,793,648	149,305,965	150,050,240	194005,000	
LIABILITIES					
Current labilities:			202.204	5,601,170	1,006,640
Vouchos payable	1,520,878	3,172,084	338,208 27,337	1,017,390	1,000,010
Contractivetainage	420,109	561,864		3,181,644	
Account interest	374,000	522,000	70,636	419,048	64.506
Accrued payroll	260,767	84,655		7,245,371	19.780
Internal balances	3,914,202	3,306,386	22,763	2,359,363	388.628
Obligations for Employees Ratirement System	1,529,200	456,990	373,073	18,534,364	300,000
Current portion of bonds payable	11,036,450	4,322,011	3,175,933	2.424.600	- 1
Liabities payable from restricted asserts	2,424,600		200	1,000,486	214.442
Compensated absences	720,700	201,623	108,163	853,000	214,442
Claims and judgements liability	653,000	10000	*	867,000	
Other current liabilities	332,390	334,655			1,695,996
Total ourset labilities	29,397,376	12,964268	6,401,767	42,763,411	1,093,996
Nonqueent liabilities:					
General obligations payable	18,640,442	59,308,919	5,512,608	83,661,909	
Revenue bonds payable	265,837,368		89,372,144	355,209,512	80839
Compensated absences	112,600	80,077	143,380	339,257	
Other long-term liabilities					12,646
Tutal noncurrent liabilities	264,790,610	59,391,996	95,038,132	439,210,730	1,799,266
Total liabilities	308,187,686	72,396,264	101,429,899	481,974,149	1,789,298
NET ASSETS					
Invested in capital assets, net of related debt	138,046,120	82,361,747	38,769,833	259,197,700	6,131,600
Unwationed	54,559,542	(5,412,048)	14,235,611	43,383,107	4,216,659
Total net assets	\$ 172,605,662	\$ 76,549,701	\$ 53,025,444	\$ 302,580,607	\$ 10,348,35

CITY OF NORFOLK, VIRGINIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities For the Year Ended June 30, 2006

Exhibit A-4

Exhibit B-2

\$ (45,331,200) 852,924 \$ 13,289,523

an integral part of the financial . A=24

# CITY OF NORFOLK, VIRGINIA Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For Year Ended June 30, 2006

		Business-Ty			Governmental Activities
		Waste-	Parking		Internal Service
	Water	Water	Facilities	Totals	Funda
Operating revenues:	******	1100	7 801000		- 1000
Charges for services	\$ 74,218,336	5 22 374 452	\$ 20 911 127	\$ 117,503,915	\$ 13,264,470
Miscelaneous	3,472,406	430,477		3,910,883	74.173
Total operating revenues	77,690,742	22.812.929	20.911.127	121,414,798	13.338.643
Operating expenses:	11,000,140	22,812,929	200311,123	121,010,100	13,330,012
Demonal services	12,333,921	4.229.450	6.694.856	23.258.227	3.060.084
Cost of goods sold					8.519.397
Plant operations	7.531.051	4.242.826	869 528	12.743.505	271,934
Chemicals	3.227.636	148.129		3,375,765	
Provision of had dobbs	155,116	161.327	- 10	316.443	19.358
Depreciation	10.152.060	2.205.891	3.664.991	15.032.942	281,295
Referenced contribution	1.529.200	455,990	373.073	2,359,263	388,628
Administrative expenses	1.612.230	1,536,166	369.363	3,517,799	
Other	10.597.622	1,771,725	1.186.671	13,555,818	853.081
Total operating expenses	47.248.836	14.752.504	13.158.382	75,159,722	13,393,777
Operating income	30,441,906	8.060.425	7,752,745	46,255,076	(55,134
Sonoperating revenue (trigrenses)			-		
Interest income, net of interest capitalized	1.097.416	23.984	912,233	2.033.633	74,992
Interest expense and facal charges	(14,760,173)	(995,493)	(5,197,400)	(20,653,152)	
Gain float) on sale or disposal of fixed assets	1,126,108	2,710	(1,310)	1,127,508	8,060
Unwalized loss on investments					
Total nonoperating expenses	(12.536.649)	(668,799)	(4,286,563)	(17,492,011)	83,057
Net income (loss) before contributions					
and transfers	17,905,257	7,391,626	3,466,182	28,763,065	27,923
Capital contribution	59,059	19,166		78,245	
Fransfers evil	(10,117,535)	(1,500,000)	(250,000)	(11,867,535)	825,000
Change in net assets	7,846,781	5,910,812	3,216,182	16,973,775	852,921
Total net assets - beginning	164,756,861	71,036,889	49,809,262	265,607,032	9,495,431
Total net assets - ending	\$ 172,605,662	\$ 76,949,701	\$ 53,025,444	\$ 302,580,807	\$ 10,348,354

CITY OF NORFOLK, VIRGINIA

									Gowno	
			- Pre	inena Typ	LAS.	lyttes.	_	_	America	
		-	Tes			willes		164	Senta f	
ASK FLOWS FROM OPERATING ACTIVITIES		72.479.278		104.704		21,000,100			6 10.00	187,000
supple for outstand		CLASSES		95.800		(LHI.49)		(96,760,793)		DK.7963
Spring is adjoined.		(12,100,000)		105.305		(5.091,050)		(25,345,464)	43.40	(0,858)
Surround on hothe projettine										366
Other receipts (preprietly)		0.0640	-	DUME.		(73,496)	_	OM:HD		CMD.
National provided by operating withdress	_	10,100,801	_	22,89	_	11,377,396	-	12,690,007	_	64,007
DADIN FLOWS FROM HONCAPITAL FRANCING ACTIVITIES										
		4.194,205		011,217		(100,000)		4,912,539		90,946
Specialing autosities and franchis to other back	_	(10.147.529)	- 13	SMARE	_	Q96,890	_	(FUMET EDG)	_	_
net cash used by monosphia financing										
activities	_	BHINE	_	par pop	_	(84),890)	-	(checked)	_	96.545
CABIN PLONS PROVI CAPITAL AND ROLATED PRINCIPIO ACTIVITIES										
Trouveds from payfor detri				100,000				11,500,000		
Capital portributions		59,369		18,186		(1.371.800)		COLUTT MES		CHARD
Purchases of capital assets		(4,794,960)	640	140,303)				CRAFT SHE		10.600
Procipal paid on capital debt		(16,733,776)	44	441,540)		(1,386,616)		1,410,300		8.85
Proceeds from sale of capital exemp.		1,416,625		2,710						-
interest part or capital deat	_	(16,314,961)		444.44%	_	(441.00)	-	(PEMERS)	_	_
had been provided based by coping and related framing arthritis		punes.	_	USSESS.		0.01186	_	SHEET.	_	1,673
CASH FLOWS FROM INVENTING ACTIVITIES										
Powers for agen and regulars of investments		445.00		LVALUES		1,044,557		4304764		
Products for sets and reported to revenue on		21 MILE WITE				(329.000)		(1,396,000)		
sound and distance		1,092,000		23,984		912.234	_	1,386,360		P4.990
National provided (used) by investing with the		\$400.0K		LAME FOR	_	1,671,761	_	181230	_	N.960
for recessor in case and case represents		1305394		OHAMI		1,360,000		ORUGE		134,850
fresh and read equivalents - beginning of the prior		23,341,047		DOM:		10,1029	_	30,000,000	_	241,790,
fact and such supposes and of the part		21.49(30)	,	21,000		13,404,819		34,345,066		379,168
Superchatter of Operating Income (Lens) to Red Cook			_		_	_	_	_	_	_
Recorded by Comparing Income (Lone) to And Cont.										
Operating income (5,mm)		30,441,900		1,010,125		1,710,740		49,000,079		(66,134)
Adjustments in recording speciatry income (Local) to not conf.										
proceed by specially activises										
Description mineral		10.102,005		2,200,801		3,664,661		16,013,942		258,990
Capter scores, met										
Province for ball stell		199,116		161,327				\$16,645		
Change in excels and fabrilless						167,017		(8.798.176)		CHER
Reconstruct, net		(AMARIA)		Gr.37366				(ACMIC)		Date:
Internal Selectors								125.20		
Other receivables		121,563		CH.800		gs ero		115,676		ORLES
Investories		162,465		(united)		(05,997)		112,987		-
Other assets				(1.00 200)		CHART		(947,340)		4mx 560
Vouchers payables		610,864 (158)		Time (r/me/zon)		(17,290)		(20,000)		2,101
Approach payers		(*84)		2,000		-		2000		2.00
Colposes to Erwiness Retrement System										11,367
Comparated sharrows Other lattices		0.80,0%		CHARGE		11.90		(3.145,600)	-	349
Other lightless Not cash provided by operating activities	1	20,750,551	1	9.123,900	7	11,377,696	T	\$3,606,90P	1	264,347
and citiz belones to chanced warrant	-	HATTAGE	-	COMO.	-	and Mark the	-		_	
Reconciliation of costs and costs applications										
for the elaterment of net excelle:		40000		10,140		11,380,465		25.296.525		1,175,000
St. and St.		7,404,483		21,752		1,941,007		8,998,967		
Cash and such equivalents		25,406,363	1	31,80	3	13,636,812	. 2	39,291,051	_	1,171,000
Case and such explosions Resistant cash with facel agent Total cash and cash explosions per distanced of hell assets	3				_		_		_	_
Cash and cash explosions Restricted cash with flows appril Total cash and cash explosions per distanced of hall assets	Σ		_							
Cash and sept rephasins Resistant cash with Sent aport Total sept and sept appropriate year distanced of hall assolu Nanoush Incounting, capital, and financing activities:	<u> </u>		,	-						
Cook and cook replacement Resolvant cook and appell Entition cook and report Entition cook and report Entition and cook represents per distanced of red analys Resolvant translating, coping, and financing websites:	+	0.000	+	9,716	1	Çİ10	3	(00)346	+	-
Sun not sen repheren Restinat cest with food aged Tests cent and sent repherent Fato cent and sent repherents per determent of not assets Restauth Investing, capital, and framening architects Unwalidated gent (food) on Investitation (in Carpini assets Carp Restal on using an objected of carpini assets	1	0.000	1	9,716	1	38	3	(0.00,000)	±	÷
Can not sen rephasing Emotionic can be from age?  Fato can not can rephasing or determine of hal seath  National biomating, capita, and therefore determine Unwadined gen. (Fixed on Interctivetts)  Can float on units or deposed of capital seater  Association or agent agent from the seater  Association of agent agent among the capital seater	+	7.00000 600.00	+	561,864	1	27,307	3	1,017,990	÷	-
Can not see requirement formations can be thank appli Tests seek and seek replacement per visionment of not seek formation to recording a capital, and formating seekstreas Unwardered gears (Towa) on insulationation Can force on seas or disposal or depths asserts Acquaintum of sepalal asserts through shange in to contrast or formations.	± ±	(1,00,00	+	9210 961894 1061794	1	1,310 27,307	1	(107,000) 1,017,000 2,017,700	土土	-
Can not sen rephasing Emotionic can be from age?  Fato can not can rephasing or determine of hal seath  National biomating, capita, and therefore determine Unwadined gen. (Fixed on Interctivetts)  Can float on units or deposed of capital seater  Association or agent agent from the seater  Association of agent agent among the capital seater	± ±	(7,106,000 438,000 620,004	士士	561,864	1	27,307	A 14. 14.	1,817,590 £361,790	士士	-

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# CITY OF NORFOLK, VIRGINIA Statement of Changes in Fiduciary Net Assets Pension Trust Fund - Employees' Retirement System For the Year Ended June 30, 2006 Exhibit C-2

		2006
Additions:		
Investment income:		
Net appreciation in fair value		
of investments	\$	27,208,301
Interest		11,115,773
Dividends		3,859,970
Other		169,261
		42,353,305
Contributions		25,728,228
Less investment expense		(2,323,196)
Net investment income		65,758,338
Total additions	_	65,758,338
Deductions:		
Benefits paid directly to participants		48,592,249
Refunds of contributions		145,837
Beneficiary payments		2,635,648
Administrative fees		599,517
Total deductions	-	51,973,251
Net increase		13,785,087
Net assets held in trust for pension benefits:		
Beginning of year		850,452,890
End of year	\$	864,237,977

CITY OF NORFOLK, VIRGINIA Statement of Fiduciary Net Assets June 30, 2006

		Pension Trust Employees' Retirement System	Agency Funds		
ASSETS Cash and cash equivalents		28.435.329	2	3.747.666	
Investments, fair value	•	20,400,020		2,1 11,000	
United States government securities		37,175,055		- 4	
Corporate bonds and debentures, including		41,114,000			
obligations of national mortgage assocations		175.367.101			
Common stocks		226,872,264			
Domestic and international equity funds		307.984.932			
Domestic bond fund		77,378,901			
Receivables:					
Accounts, net of allowance					
for uncollectible accounts				86,664	
Retirement contribution		25,728,228			
Accrued investment income		1,959,953			
Due from broker for securities sold	_	1,753,149	_	-	
Total assets	_	882,654,912	_	3,834,330	
LIABILITIES					
Vouchers payable		624,412		56,398	
Due to brokers for securities purchased		17,792,523			
Other liabilities			-	3,777,932	
Total liabilities	_	18,416,935	_	3,834,33	
NET ASSETS					
Reserved for:					
Assets held in trust for					
pension benefits	-	864,237,977	-		
Total net assets	5	864,237,977	-	_	

The accompanying notes are an integral part of the financial statements  $A\text{-}28 \label{eq:A-28}$ 

# CITY OF NORFOLK, VIRGINIA Statement of Net Assets - Component Units June 30, 2006

Exhibit D-1

ASSETS	Norfolk Public Schools	Norfulk Redevelopment & Housing Authority	Norfolk Community Services Board	Total
ash and cash equivalents	\$ 35,276,031	\$ 29,473,362	\$ 3,996,137	\$ 68,745,530
ash and cash equivalents ash held in escrow with fiscal agent	· 30,214,001		5.260	5,260
ash held in escrow with tiscal agent lestricted cash held with fiscal agent		4.004.492		4.024.492
	- 6	11,548,011	3,632,032	15,180,943
svestments.		11,040,011	3,536,556	10,100,000
leceivables:				
Accounts, net of allowance for	2.512.168		471,712	2.983.880
unquilectible accounts		146,308	411,714	146,308
Tenants		436,648	11,941	448,389
Interest		47,154,089	11,341	47.154.089
Nutes	6.5	607,271	210.776	818,047
Other		347.374	25,993	10,872,206
ue from primary government	10,498,839			19,229,244
bue from other governments	17,847,889	1,381,355		4.411.545
tue from other agencies	4,411,545			
nventories	1,207,612	545,720		1,753,332
reperty held for sale	1.0	17,588,613		17,688,613
Restricted cash and investments		12,749,008		12,749,008
repaid expenses		2,704,845	45,652	2,750,497
Other assets		2,192,306		2,192,306
Capital assets, net	50,497,360	145,353,235	454,790	196,305,385
Total assets	122,251,444	276,252,437	8,854,293	407,358,174
JABILITIES				
VoucherstAccounts payable	8,832,481	1,739,739	296,637	10,868,857
Contract retainage	591,467			591,467
Accived expenses			-	
Approved interest				
Accrued payroll	20,456,925	319,306	350,326	29,126,559
Due to other agencies	960,583	10 Miles		960,583
Due to other governments		139,946		139,946
Due to primary government				2000
Tenants deposits		932,502		902,502
Other deposits/list-lities		3,230,945	24,852	3,255,797
Deferred revenue		6,533,603	24,795	6,558,398
Escrew deposits			5,260	5,290
Current vested compensated absences	303,195	200,613	613,272	1,117,080
Other current liabilities	566,327	12,290,561	874,902	13,731,820
ong-term vested compensated absences	5.841,368	1,516,488	233,256	7,591,112
General Obligation Bonds and Notes Payable		64,326,251		64,326,251
Claims and judgements liability	944,181			944,181
Other long-term liabilities	-	22,300,614		22,300,614
Total liabilities	45,496,527	113,530,568	2,423,332	162,450,427
NET ASSETS	50 497 360	120,300,556	454,790	171 252 706
Invested in capital assets, net of related debt	50,497,360	120,300,556	454,790	171,252,700
Restricted for:				5.324.69
Capital projects		5,334,690		4,640,500
Debt service		4,646,580		
Other programs	19,044,655	19,142,383	265,077	38,472,111
Unvestricted	6.212,902	13,307,660	5,691,094	25,211,65

Exhibit C-1

## NOTES TO THE BASIC

# FINANCIAL STATEMENTS

Instructional Apendose storn, Albertoleros, and Steath Pagel Temperature Operations and Manuscripe School Factions Food Services Todal Services Logic Servic	\$ 290,750,02° 11,340,100 11,340,100 30,111,000 8,202,000 1,340,000	Charges for Services.	Continued Continued I	Corne Cornidors	SOUR PARK	Retriefsprant	Contracts Contracts Servers front	Seek
Administration, Allemberous, and results. Fugit Transportation (gas allens and allemberous  interdigent Technology (gas allens and allemberous  fusion Facilities fusion Services fusion Servi	\$ 296,756,627 11,846,169 6,986,160 94,111,000 8,210,300 6,546,400							
Administration, Allemberous, and results. Fugit Transportation (gas allens and allemberous  interdigent Technology (gas allens and allemberous  fusion Facilities fusion Services fusion Servi	11,546,169 6,088,163 36,111,600 9,212,329 5,348,439							1 (00,400,410)
Pugi Transportation Operation and International International Technology School Facilities Food Services Food Serv	\$1000,100 34,111,000 9,212,109 5,340,470				(11,846,168)			(11,840,100)
Operation and Mannesons onterligens Technology School Factions Food Services balanticuthols Public Schools South Mannesons Southols Mannesons Southols Mannesons Southols Mannesons Southols Mannesons Southols So	9-212-329 5-349-479				(5.346.163)			(94,171,699)
Solve) Facilities Food Services Sulfact Surface Public Subsects Sulface Sulface Subsects Sulface Sulfa	5.549.479				(94,117,800)			0.00.00
Food Services  Todal Numbels Public Schools  Lotted Reducelspread and	5,548,429			21.171.000	10.800.000			15,623,547
Total Surface Public Schools author State of Supering and			10.631.706	Scorcine	40.007			68,907
turbals Redevelopment and	340,540,480	£79£88	239,392,310	21,171,000	87.792,31%			SCHUN
Stocking Authority:			49.365.162	6.477.249		T-000-048		
Successively activities	79,574,468	17,676,000	40,000,100	1,20,34				
(ampalant ante	CHUM	1,995,212				0,000,000		6.742.57K
Total NEWA	#3,821,10E	30,881,279	83,395,102	5,477,349		1,50,00		
Community Services Brent.							1 (1294,796)	(2.238.395)
trade and public assistance	90,040,700	EP15306		-				(44,546,645)
Total component units	1 4070349	# 10 Sec. 876	A SHARLES	1 26349216				
Constitution of								(847.250)
	Gendlered both	with all fined arrange			2402549	0017-00	265,605	3,118,079
	Interest and invest	inerti sertings			1002540		2,775,800	85,379,716
	LASE government				63,736	791,005	810.705	1,547,188
	Macetorenia				****			
1	franters	and of long-laren re	the second section					
	See provide	and a contract			95,520,690	254.015	155,00	16,000,000
	Change 2-540	******			7.758.APG	5,000,000	5.715,000	202,004,000
	blad seconds-happing	1974			T1,114,361	194,725,240	1,110,000	0.17,805
12	Revision and of the	NE BARROOM			8 PURSUIT	1 161,711,860	8 8,400,001	\$ \$50,007,747
10	Not precisuately				1 PL/10/20	1 10,770,000	1	
		100			Centre			
		-		A-31				



### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

# Summary of Significant Accounting Policies Financial Reporting Entity Government-wide and Fund Financial Statements. Measurement Focus, Basis of Accounting, Financial Statement Presentation Budgets and Budgetary Accounting Deposits and Investments Restricted Astest Notes Receivable. Interfund Transactions. Inventories Capital Assets Compensated Absences. Net AssetSyrud Equity Estimates. I Summary of Significant Accounting Policies 33 33 35 36 38 39 40 40 40 41 41 42 43 43 43 II Deposits and Investments 47 III Property Taxes 48 IV Accounts Receivable 49 49 VI Due From Other Governments VII Changes in Capital Assets VIII Long-Term Obligations 51

### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

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	No. of the second	
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### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

The Norfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the Commonwealth, was created by the City on July 30, 1940 under the provisions of the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. NRHA develops its operating budget without approval from City Council and executes contracts on its own behalf. NRHA is responsible for its own fiscal matters as it maintains its own book of accounts, is audited annually by independent accountants it engages, and has authority over eartifying, deficits and monies other than City contract funds. The City contracts with NRHA to considered to be a component unit of the City's reporting entity primarily due to its financial relationship.

In 1997, the City entered into a supplemental cooperation agreement with NRHA to assist in the financing and construction of the Nordstrom Store, in the MacArthur Center regional shopping mall. The construction of the Nordstrom's Store was financed with a loan partially secured by ground rental and store rental payments. The loan is further secured by a pledge of the City, subject to an appropriation of City Council, to fund any deficit is meeting annual debt service requirements.

The Norfolk Community Services Board (CSB) was created in 1969 by a resolution of the City Council. It is to provide mental health, mental retardation, and substance abuse services to residents of the City of Norfolk. The CSB is composed of 15 members appointed by City Council. City Council approves the CSB's annual operating budgets.

Complete financial statements of the individual component units can be obtained from their respective administrative offices:

The City of Norfolk Retirement Board 810 Union Street, City Hall Bldg. Rm. 309 Norfolk, Virginia 23510

The School Board for the City of Norfolk 800 East City Hall Avenue P O Box 1357 Norfolk, Virginia 23501-1357

### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### I. Summary of Significant Accounting Policies

### A. Financial Reporting Entity Information

Prinancial Reporting Entity Information
The City of Norfolk (the "City") was incorporated February 13, 1845 and operates
under a charter adopted February 7, 1918, which mandates a Council-Manager form
of government. The City and its component units provide the following municipal
services to approximately 235,500 residents, as authorized by its charter or codepublic safety, highway and street maintenance, water production and quality, solid
waste management, wastewater treatment, cultural and parking facilities,
environmental storm water management, public health, social programs, parks and
recreation, public education, public improvements, planning and zoning code
enforcement, public libraries, and general administration.

Blended Component Unit: The Employees' Retirement System of the City of Norfolk (ERS) has a nine-member Board of Trustees. Seven members are appointed by the City to the City of Norfolk (ERS) has a nine-member Board of Trustees. Seven members are appointed by the City to the City of Norfolk (ERS) has a nine-member of Fanasca are as-officion members. The ERS is the administrator of single-cent of Fanasca are as-officion members. The ERS is the administrator of single-cent of the City of Norfolk, excluding School Board employees and certain employees of the City of Norfolk (excluding School Board employees and extent system, as unbrorized by Section 1454) of the City Charter. The ERS was established and placed under the management of the Board of Trustees for the purpose of providing retriement and death benefits as authorized by the provisions of Chapter 37 of the Norfolk City Code. The City makes its contributions, in conjunction with investment earnings of the ERS, to provide the funding for pension benefits and administrative costs.

Discretely Presented Component Units: Although legally separate entities are in substance part of the City's operations, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The component units discussed below are included in the City's financial reporting entity due to their financial relationships with the City.

The School Board for the City of Norfolk (School Board), which has seven members, is the operating body that establishes the educational and financial programs and policies for the City's public school systems. School Board members are appointed by the City Council. The City levies taxes for its operation, issues bonds or enters into capital feases for its capital requirements and approves its annual operating budget. The School Board for the City of Norfolk is comprised of the School Operating Fund, Capital Project Fund, Child Nutrition Fund, the School Special Revenue Funds and the School Board Agency Funds.

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#### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

The Norfolk Redevelopment & Housing Authority 201 Granby Street Norfolk, Virginia 23501

The Norfolk Community Services Board Board Administration 248 West Bute Street Norfolk, Virginia 23510-1404

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its composent units. Governmental revenues, which separately from business-type activities, which the separately from business-type activities, which the primary government is response to the separately from business-type activities, which will be primary government in reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 22 gnants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and ifduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt obligations of governmental funds and proprietary funds.

The Capital Projects Fund accounts for the acquisition and construction o capital facilities of the City, some of which are also used by the School Board.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water treatment plant

The Wastewater Fund accounts for the activities of the City's sewage pumping stations and collection systems.

The Parking Facilities Fund accounts for the activities of the City's owned parking

Additionally, the City reports the following fund types:

Internal Service Funds account for the City's Storehouse operations and fleet management services provided to other departments or agencies of the City on a cost

The Pension Trust Fund accounts for the activities of the Employee's Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The Permanent Fund is used to report resources that are legally restricted to the extent that only the interest may be used to support the City's cemetery operations.

The Agency Funds account for monies held in a fiduciary capacity

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as one as all eligibility requirements imposed by the provider have been met. Flucialary fund financial statements do not have a measurement focus. The City's discretely presented component units are abio included in the government-wide financial statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's Water, Wastewester and Parking Realities enterprise funds, and of the City's internal service funds are charges to customers for sales and services, administrative and interest expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses not

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### D. Budgets and Budgetary Accounting

An operating budget is adopted each fiscal year for the General Fund, Water Utility Fund, Wastewater Utility Fund, Parking Facilities Fund, Storm Water Special Revenue Fund, Martitum Facility Special Revenue Fund, Public Amentiles Special Revenue Fund, Cemeteries Special Revenue Fund, Fund, Public Amentiles Special Revenue Fund, Golf Special Revenue Fund, Fund, Fund Revenue Fund, Fund Fund, Fund Revenue Fund, Capital Projects Fund and Internal Service Funds. All funds are under formal budgetary control.

No less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. A public bearing is conducted. Then, on or before July 1, the budget is legally enacted through adoption of an ordinance. The property taxes included in the budget become a lien on real properties on July 1.

The ordinance for the annual operating budget appropriates funds by department. Additional budgetary controls are exercised administratively, both on an appropriation unit basis over parts. all, c any combination of object categories (budgetary secount groups usches: (1) personal services; (2) materials, supplies and repairs; (3) general operations and fixed charges; (4) equipment; (5) public assistance, and (o) all purpose appropriations), as well as on a line item basis over

# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 60 days of the end of the fiscal year. Real and personal property taxes are recorded as receivables when Evieted and billed, which corresponds with the fiscal year for which the taxes have been levied, net of allowances for uncollectible accounts. In compliance with Section 2.9, [initiom Financial Resporting Manial for Yignini Conutine and Maniacjainiles, property taxes due and collected within 45 days after June 10 are recognized as revenue, those not collected within 45 days after year-end are reported as deferred revenue. Items such as I leenue fice, permit fee and finas are recorded as revenue when received. Integrovermental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, is recognized at the time the specific expenditures expected to be financed by this revenue are made. Revenue from general purpose grants is recognized during the entitlement period.

Major sources of governmental funds susceptible to accrual include the following:

- · Real property taxes
- Revenue from the Commonwealth
   Shared
   expenses

- Personal property taxes
   Sales and use taxes
   Consumer utility taxes
   Environmental storm water billings

Expenditures, other than interest on general long-term obligations, are recorded as the related fund liabilities when incurred. Interest on general long-term obligations is recognized when due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary faul financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board ("GASB"). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's proprietary funds and various

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### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

individual objects (budgetary accounts). The City Manager is authorized to transfer money within a fund without further approvals by City Council.

The School Board manages and controls all funds made available for public purposes by the City Council. In accordance with the Code of Virginia, the School Board has exclusive authority to expend funds within the total amounts appropriated box (Fiv Council.) by City Council.

Consistent with the enabling ordinance, the Schedules of Revenues and Expenditures

— Budget and Actual of the General Fund presented in Exhibit E include the revenues
and expenditures - budget and actual of the School Board.

A reconciliation of revenues and expenditures reported in accordance with accounting principles generally accepted in the United States (GAAP) and those presented in accordance with non-GAAP budgetsy basis, for the general fund, can be found following Exhibit E-2. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with accounting principles generally accepted in the United States of America.

With the exception of Capital Projects and Grant appropriations, unencumbere annual appropriations lapse at the end of the fiscal year. City Council may authorize supplemental appropriations to the operating budgets during the fiscal yea Budgeted amounts as reported in the financial statements represent the origin appropriations, and all supplemental adjustments experiorytations.

City Council adopts a capital improvement budget on a project basis. As in the case of the General Fund budget, these budgets are submitted by the City Manager, public hearings are held and the budgets are legally enacted through adoption of an ordinance. Appropriations for these budgets continue until the purpose of the appropriation has been fulfilled. Amendments to these budgets are affected by City Council.

### E. Deposits and Investments

The City's cash and cash equivalents include cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Investment statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development Bank, and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The fair value of the

LGIP is the same as the value of the pool shares. The LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2x3 of the Investment Company Act of 1940. The external investment pool is administered by the Treasury Board of Virginia. The Pension Trust Fund is authorized to invest in common stocks.

Investments of the City as well as its component units are stated at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the System's fiscal year. Purchases and sales of securities traded but not yet settled at year-end are recorded as due to broker for securities purchased and due from broker for securities soft, respectively. Other investments are stated at their fair value; these investments are reported in the accompanying financial statements as each and cash equivalents, unless the original investment period exceeded three months, in which case they are reported as investments.

#### F. Restricted Assets

Restricted assets are those whose use is subject to externally imposed constraints such as creditors through debt covenants, grantors or laws or regulations of other accomments.

#### G Notes Receivable

Notes receivable reported in the governmental funds represent assets that are offset by a reservation of fund balance in the fund financial statements since funds do not meet the availability criteria.

Payments on these balances will be recognized as revenue as they are received.

### H. Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying fund financial statements generally reflect such transactions as transfers.

Internal service funds record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the internal service funds as operating expenditures or expenses. Since internal service funds generally support governmental activities rather than business-type activities, they are consolidated with "the governmental funds" in "the governmental condition of the City's internal service funds can be found in the "Other Supplementary Information" section of this document.

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### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

changes in circumstances result in the impairment of a capital asset are netted against the impairment loss.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets purchased by enterprise and internal service funds are stated at cost, less accumulated depreciation.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	Governmental Funds	Enterprise Funds	Internal Service Funds
		(In years)	
Building and improvements	40	10-75	40-50
Improvements other than buildings	15-25	10-99	15
Warehouse equipment and fixtures		-	7-10
Transmission and distribution mains		50-99	
Service meters and meter installation		35-50	
Pumping and other water/wastewater equipment		10-30	
Vehicles and garage equipment	4-10	4-10	4-25
Data processing equipment	5-10	5-10	5-10
Furniture, fixtures and equipment	3-25	3-25	3-20

### K. Compensated Absences

It is the City and School Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is fully vested when earned by City employees. Sick leave does not vest for City employees, however, upon rutirement, City employees receive credit for each day of accumulated sick leave toward their persion benefit. There is no liability for unpaid accrued sick leave service since the City does not pay when the employee separates from service. The entire unpaid liability for vacation leave is recorded in the respective funds in the government-wide financial statements.

Upon retirement, School Board employees are paid \$20 for each day of accumulated sick leave upon retirement. Accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unusued vasation leave, at their normal rate of pay, upon termination of employment. Mont School Board food service employees have ten-month employment contineats and are under the properties of the prope

### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

The General Fund provides administrative services to enterprise funds and internal service funds. Charges for these services are treated as operating expenses by the enterprise and internal service funds and as revenue by the General Fund in the fund financial statements.

### I. Inventories

Inventories are stated at cost, using either the first-in, first-out, or the moving average method. Inventories in the governmental funds consist of expendable supplies held for consumption for which the cost is recorded as a expenditure when acquired, i.e., the "purchase method." Reported inventories in the governmental funds are offset by a find balance reserve, indicating they are not currently available expendable resources. Proprietary funds expense inventories when consumed.

#### J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalts, and similar items), are reported at historical cost less accumulated depreciation in the applicable governmental or business-type activities column in the government-wide financial statements and in proprietary funds. Capital assets are defined by the City's Capitalization Policy as assets with an initial, individual cost of more than S2.000 and an estimated useful life greater than one year. Capital outlays of governmental funds are recorded as expenditures at the time of purchase and are not capitalized in the governmental funds. However, they are capitalized in the governmental funds the recorded are capitalized in the governmental funds. However, they are capitalized in the government and the similar distribution of purchase and are not capitalized in the governmental funds. However, they are capitalized in the government-wide statement of governmental activities. Where historical cost records are not available, assets are recorded at ethics instanced fair value on the date received. In the enterprise and internal service funds, interest costs incurred on funds borrowed for construction projects are capitalized net of interest earned on the temporary investment of the unexpended portion of those funds. When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated and any resulting gain or loss is reflected as nonoperating revenue or expense.

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of the carrying value or fair value. Impairment losses on capital assets that will continue to be used by the City are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or

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#### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### L. Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt, restricted, and unrestricted. Restricted net assets represent constraints on resources that are either eaternally imposed by rectifiers, grantors, contributors, laws and regulations of other governments or imposed by law through state statutes.

Reservations of fund balances are used to indicate that portion that is not appropriable for expenditures or to identify a portion of a fund's equity as legally segregated for a specific future use. Designations of urnerserved fund balances in governmental funds are established to indicate City management's tentative plans for use of financial resources in a future period.

### M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of sastes and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

The City performed a remeasurement of its streets during fiscal year 2006 and this remeasurement resulted in an increase to the historical lane mile measurement of streets and bridges infrastructure assets. As a result of this remeasurement which is considered a change in estimate, the beginning net assets balance was not restated however an adjustment was made to the hum 30, 2006 infrastructure asset additions and accumulated depreciation of \$3,770,875, net.

### II. Deposits and Investments

### Custodial Credit Risk - Deposits

The City maintains a cash and investments pool for all funds except the Pension Trust and Permanent Funds. Each fund's portion of the pool is disclosed in the statement of net assets and balance sheet a seath and cash equivalents. The each and investments of the Pension Trust and Permanent Funds are held separately from the pooled City funds.

In accordance with its investment policy, all deposits of the City and its Component Units are held in City Council designated official depositories and are collateralized in accordance with the Virginia Security for Public Deposits Act ("the Act"), Section 22-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under

the Art, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the Start Treasury Board. If any member financial institution whose public deposits are collateralized in accordance with the requirements of the Art fails, the entire marker value of the collateral pool becomes available to satisfy the claims of governmental entities. If the value of the poly's collateral were inadequate to cover a loss, additional amounts would be assessed on a pror ata basis to members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.

### Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Equity and fixed income investments (except for bank deposits) are not insured and are registered in the name of the City and held by State Street Bank as outsodian. The remaining City investments are held by the City or in the City's name by the City's custodial banks. The City has no formal policy regarding custodial credit risk for investments.

In accordance with its investment policy, NRHA invests temporary cash surpluses in repurchase agreements and cash equivalents. The repurchase agreements are fully collateralized by the U.S. Government and government agency securities plodged in NRHA's name. The collateral is held by the pledging financial institution in its own

#### Interest rate risk

Neither the City nor its Component Units have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

In accordance with its investment policy, NRHA manages its exposure to declines in fair value by investing operating funds in securities maturing in periods of up to one year, or a lesser period that coincides with expected disbursements. Investment of reserves not needed for operations are typically held to maturity. Currently, 66% of all reserves have been invested for three months or less.

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### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

equivalent national rating organization and the ratings are presented below using the S&P's credit quality rating scale.

Fair Quality Ratings Bond Mutual (S&P) Fund		US Agency Notes	Mortgages	Floaters	Corporate Debt		
AAA	\$ 60,996,289	\$ 42,867,753	\$ 126,110,116	\$ 424,129	\$ 1,903,383		
AA2	16,239,330	-					
AA+					104,262		
AA					2,102,007		
AA-	5,329,379				2,675,834		
A+	7,982,558			-	5,743,336		
A-1+							
A-1	-						
A				-	7,838,917		
A-							
BBB+	1,599,186				2,280,292		
888	-				1,904,072		
BBB.			-	-	3,485,096		
BB+	5,695,087						
BB							
NR	332,730						
	5 98 174 559	\$ 42 867 753	\$ 126.110.116	\$ 424,129	\$ 28.037.19		

The City held \$153,231,192 and \$154,753,740 in domestic and international equity funds, respectively, and an additional \$226,872,264 in common stock which are unrated securities.

The CSB's investments in US Government Securities and preferred stock were rated AAA by Standard and Poor's. Its mutual funds and certificates of deposit were unrated.

In accordance with its investment policy, NRHA's repurchase agreement represents an overnight investment of excess cash deposits with a bank and is collateralized under the Act. The \$2,713,533 investment in commercial paper is AAA rated.

### Concentration of credit risk

Concentration risk is the risk of loss attributed to the magnitude of a system's investment in "a single issuer." Mutual "funds are excluded from this disclosure requirement. No more than 20% of each Account's fuced income position, including cash equivalents, shall be invested in bonds rated that (1,2,8,3) or BBB (° or ). Upon request from the Manager, the Board will consider althoring more than 20% in them.

### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### Segmented Time Distribution (as of June 30, 2006)

### Primary Government

			faturities (in yes	rs)	
Investment Type	Fair Value	Less than I year	1-5 years	6-10 years	10 years +
Domestic Equity Fund	153,231,192	N/A	N/A	N/A	N/A
International Eqty Fund	154,753,740	N/A	N/A	N/A	N/A
Common Stock	226,872,264	N/A	N/A	N/A	N/A
Bond Mutual Fund	98,174,559	259,171	36,372,888	50,151,253	11,391,247
U.S. Treasury Notes	580,672	580,672			
U.S. Agency Notes	42,867,753	1,812,000	23,185,687	8,678,890	9,191,176
Mortgages	126,110,116	448,935	8,053,526	5,329,168	112,278,487
Floaters	424,129				424,129
Corporate Debt	28,037,198	10,509,804	9,099,112	4,483,820	3,944,462

### NRHA

		Investe	nent Maturities	s (in years)
Investment Type	Fair Value	Less than 1 year	1-2 years	2-4 years
U.S. Agency Notes	34,609,297	27,752,377	6,856,920	161
Repurchase agreement	5,578,134	5,578,134		
Commercial Paper	2,713,533	2,713,533		

### CSB

Investment Type	Fair Value	Less than 1 year	1-5 years	6-10 years	10 years
Mutual Funds	59,516	59,516		1.5	
Preferred Stock	1,250,000	1,250,000		-	
US Government Securities	1,697,708	347,016	1,017,547	168,404	164,741

#### Credit Risk

Credit Rick is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies, Moody's, Fichi Rainga, and Standard and Poor's are not permitted. The City invests in certain derivatives including real estate mortgage presentment conduits and collararalized mortgage obligations. Thous securities are included in reported investment in the Retirement System financial statements. Investments in derivatives with a cost of Sch,745,840 and armácte value of SSS,782,650 were held al June 30,2006. The City's rated debt investments as of June 30,2006 were rated by Standard and Poor's and/or an

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#### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

ratings and the purchase of bonds rated below Baa3 or BBB. More than 5% of the System's investments are in the FNNA investment pools, SSGA, S&P 500 Flagship Fand and LSV International Value Equity Trust. These investments represent 1.105%, 22.10% and 6.5%, respectively, of the System's total investments. Neither the City nor its Component Ontion have a formal investment policy regarding the amount it may invest in any one issuer.

### Foreign Currency Risi

Neither the City nor its Component Units have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. Neither the City nor its Component Units had exposure to foreign currency risk at year end.

### III. Property Taxes

Local real property assessments are made under the direction of a City Assessor appointed by the City Council. The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. The rates in effect for the year ended June 30, 2006, on each \$100 of assessed value, were \$1.35 for real property, \$1.8 for the Downtown Service District, \$4.00 for personal property, \$1.50 for recreational vehicles, \$4.00 for machinery and tools, \$1.35 for mobile homes, \$2.40 for airplanes, \$0.1 for pleasure boats and \$1.50 for business boats. Disabled veterans pay a discount rate of \$3.00 for personal property.

### The property tax calendar is as follows:

	Real Property	Other than Real Property
Lien date	July 1	January 1
Levy date for existing property	July 1	January 1
Levy date for real property improvement, new construction or newly acquired property	October 1, January 1 and April 1	Date of Acquisition
Due dates	September 30, December 5, March 31 and June 5	June 5 or 30 days after acquisition
Collection dates	On or befo	re due date

In the event any installment of taxes on any of the above properties is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

### IV. Accounts Receivable

### A. Unbilled Accounts Receivable:

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2006:

Water Utility Fund \$ 1,154,313
Wastewater Utility Fund 877,421
\$ 2,031,734

The associated revenue is included in net charges for services.

### B. Allowances for Uncollectible Accounts Receivable

Allowances for uncollectible accounts receivable are generally established using historical collection data, specific account analysis and subsequent each receipts. The allowances at June 30, 2006 are as follows:

Primary Government:	
General Fund: Taxes Accounts	\$ 9,400,000 16,332,650 25,732,650
Special Revenue - Storm Water Fund Water Utility Fund Wastewater Utility Fund Total - Primary Government	196,000 1,670,430 529,358 5 28,128,438
Component Units: Norfolk Public Schools Norfolk Redevelopment and Housing Author	\$ 71,805 iny 26,600
Community Services Board Total - Component Units	\$ 140,278

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### V. Notes Receivable

Notes receivable, at June 30, are as follows:

Primary Government: General Fund

WHRO (Hampton Roads Educational Telecommunications Association, Inc.) \$91,586

Total Primary government

Component Unit: Norfolk Redevelopment and Housing Authority
Less allowance for doubtful accounts
Net \$47,154.089

(7,769,111) \$47,154,089

### VI. Due From Other Governments

Amounts due from other governments, at June 30, are as follows:

				Total		Component Units		leits
Other	_	General Fund		Primary Government		School Board		NEHA
Verious grentalreimbursaments	5		5		5		1	1,381,355
Commonwealth of Virginia:								
Shared expenses		5,169,672		5,169,672				
Categorical aid		2,658,544		2,658,544				
Noncategorical aid		23,414,011		23,416,011				
Various greats						6,101,663		
Total - Commonwealth		31,244,227	Π	31,241,227		6,101,663	_	
Federal Government	_		_				_	
Various grants	_					11,746,226		
Total - Federal					_	11,746,226		
Total - Due from other governments	1	31,244,227		31,241,227	,	17,847,889	5	1,381,335

### VII. Changes in Capital Assets

A summary of changes in capital assets, at June 30, follows:

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

Depreciation expense was charged to governmental activities as follows:

General government activities	\$	5,195,834
Judicial administration		1,106,456
Public safety		2,992,217
Public works, which includes the		
depreciation of infrastructure assets		103,596,084
Health and sanitation		337,340
Culture and recreation		4,718,993
Community divelopment		2,675,940
In addition, depreciation on capital assets		
held by the City's internal service funds		
is charged to the various functions		
based on their usage of the assets		281,295
Total depreciation expense	3	120,904,139
Business-type activities		
Water Utility Fund	5	10,162,060
Wastewater Fund		2,205,891
Parking Funds		3,664,991
Total depreciation expense	5	16,032,942
Component unit activities		
Community Serives Board	3	109.947
NRHA		6,590,794
Schools		0.881.535
Total depreciation expense	5	13,562,276

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2006:

		Interest		Interest		Net
		Expense		Revenue	(	Capitalized
Water Utility Fund	5	1,263,351	\$	(642,797)	S	620,554
Wastewater Utility Fund		1,309,683				1,309,683
	\$	2,573,034	8	(642,797)	s	1,930,237

## VIII. Long-Term Obligations

## A. General Obligation and Revenue Bonds

The City has traditionally issued general obligation or revenue bonds to provide funds for the construction and acquisition of major capital facilities. General obligation bonds have been issued for both governmental and business-type

activities. In 1993 and 1997 the City established Water Revenue and Parking Revenue bond programs, respectively.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds are limited liability obligations where revenues derived from the respective acquired or constructed assets are pledged to pay debt service.

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2006 follows:

				E	ete	rprise Funds	_	
		General Obligation Bonds		Water Utility Bonds	,	Vastewater Utility Bonds		Parking Facilities Bonds
General obligation bands outstanding at July 1, 2005 Bonds retired Bonds retinded Bonds issued Bonds issued Less: Unamortized (discount)/premium	5	421,008,476 (38,235,137)	\$	25,079,574 (4,142,778) 20,936,796 1,630,096	s	58,326,000 (4,441,648) - 11,500,000 65,384,352 (1,753,422)	s	8,114,584 (1,336,610) 6,777,974 (104,433)
General obligation bonds outstanding at June 30, 2006, adjusted for unamortized (discount)/permium	5	397,305,885	s	22,566,892	s	63,630,930	s	6,673,541
Revenue bonds outstanding at July 1, 200 Bonds retired Bonds refunded	15		\$	283,965,000 (6,580,000)	\$		\$	98,724,000 (1,950,000)
Bonds issued Bonds outstanding at June 30, 2006 Less: Unamertized (discount)/premium Revenus bonds outstanding at June 30, 2 adjusted for unamortized (discount)/pr			_	277,385,000 (4,237,632 273,147,368	Т		5	96,774,000 (5,386,856) 91,387,144

Includes a Section 108 Ioan with the Department of Housing and Urban Development (HUD) in the amount of \$13,000,000. This Ioan issued on June 3, 2004, sepremally recorded as a note, but subsequently reflected as a general obligation boat. Revenues from the Bread Creek Tax Increment Financing (TIF) District are the primary revenue predegt to support the bonds' debt device. In Virginia, this TIF piedee consistence a general obligation whom determining the City's Jesal debt margin.

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### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### B. General Obligation Bonds

A summary of the requirements to amortize general obligation bonds are as follows:

		Government	al.	Activities	Business-type Activites					
Year Ending June 30,		Principal		Interest		Principal	_	Interest		
2007	s	35,932,415	s	17,282,797	5	9,209,394	\$	3,713,159		
2008		35,359,104		15,730,412		9,614,018		3,179,480		
2009		34,879,727		14,208,187		9,788,603		3,001,751		
2010		32.394.931		12,653,883		8,576,487		2,541,976		
2011		32,055,516		11,399,045		8,610,819		2,180,635		
2012-2016		110,680,803		37,923,150		23,979,518		6,403,424		
2017-2021		68,555,345		16,698,693		12,098,076		2,944,850		
2022-2026		29,515,498		3,405,617		10,081,707		1,009,620		
2027-2031				913,750		1,140,500		34,38		
2032-2036		3,400,000		213,208						
Total	*	192 222 220	-6	110 428 742	- 5	93 099 122	2	25.009.279		

The detailed requirements to amortize general obligation bonds for the major proprietary funds

Year Ending		Water Ut	lity	Fund.		Wastewater	Uti	lity Fund		Parking Fac	litic	s Fund
June 30.		Principal		Interest		Principal		Interest		Principal		Interest
2007	s	3,726,450	\$	936,901	5	4,322,011	\$	2,466,507	\$	1,160,933	\$	309,751
2008		3,912,746		783,218		4,519,475		2,138,408		1,181,797		257,854
2009		3,757,732		625,238		4,949,089		2,169,363		1,081,782		207,150
2010		2,812,578		437,701		4,747,952		1,951,087		1,015,957		153,188
2011		2,822,993		304,804		4,764,212		1,772,533		1,023,614		103,298
2012-2016		3,904,297		293,306		18,761,330		6,014,898		1,313,891		95,220
2017-2021						12,098,076		2,944,850				
2022-2026						10,081,707		1,009,620				
2027-2032						1,140,500		34,384				-
	5	20,936,796	\$	3,381,168	\$	65,384,352	\$	20,501,650	S	6,777,974	\$	1,126,461

### C. Revenue Bonds

The Water-Revenue bond-covenants-require-that-each-year's water\_utility\_fund\_net, revenue not be less than the greater of () the sum of 1.1 times senior debt service and 1.0 times subordinated debt service or (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt

### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

General obligation and revenue bonds outstanding at June 30, 2006 are composed of the following individual issues:

Bond Issue/Purpose	Outed	Inne Amount	Interest State	Public Improvement Administra		Allocation	Washington UMby Alternation		Parking Facilities Allocation	Balance Outstanding
Series 1989 Property Acquisition	27.51965		6.70%	\$ 1500.000	-		- Constitution	-	Princeson	\$ 1500.000
Series 1995A Retunding	6/9/1999	29.065,000	400-500%							1,000,000
Series 1995 Capital Improvement	5/3/1895	50,000,000	525-500%							
Series 1990 Capital Improvement	3/1/1996	60,000,000	5.125 - 5.26%	2.750.000			\$ 250,000			3,000,000
Series 1907 Capital Improvement	4151987	43,975,800	525-5379%	3.500.000			900,000			5,600,000
Series 1997 QRB	4151957	4,000,000	5.25 - 5.79%	2 200 000			-			2.200,000
Series 1996 Capital Improvement	6151996	44,330,800	425-500%	7,618,347			1,991,053			
Series 1996 Refunding	6151994	49.190.000	425-500%	25.510.800		9.000.940	2,660,960		3.005.790	9,810,000
Series 1996 QRS	9151996	2,560,000	470-510%	1 665 000		*****	2,842,366		3,006,796	1,685,000
Series 1999 Capital Improvement	7/1/1909	11,700,000	450 - 500%	7.800,000						
Series 1999-ORG	21717999	4.000,000	455-530%	3,540,000						2.800,000
Series 1999-CONS	6/15/1999	7.000.000	200	3,200,795						3,510,000
Series 1995-Capital Improvement	3rv5/2009	18,025,000	500-529%	7.300,000						3,210,766
Series 2000-ORG	2015/2000	3,995,000	5.125 - 5.65%	7,995,000						7,200,000
Series 2000 GZAB	1103/3000	3.637 170	2000	2,758,258						2,895,000
Series 2001 GZAB	12070001	1,062,600	none	613.471						2.230,258
Series 2002 Capital Improvement	2/1/2002	27 000 000	2.00 - 5.00%	96, 179, 110			1.571.890			613,471
Senes 2002 QRB	2/1/2002	7.995.000	3.00 - 5.00%	6.365,000			(31 (300)			17,590,000 6,355,000
Series 2002 Refunding	2/1/2002	47,298,000	2 00 - 5 00%	18,818,273		3,734,008	5.170,506		472.953	26 195 000
Series 2002 Property Assulation	8/14/2002	3.400,000	5.34%	3,400,000		2012-0008	8.779,999		472,190	2490,000
Series 2002/8 Capital Improvement	19/1/2002	34,600,000	300.500%	29,410,000						29.630,000
Series 2002/8 Plefunding	1912002	29,890,000	5.00 - 5.25%	26252.513		1.663,352	3.355.439		1477400	32 790 000
Series 2000 VFVA	4/9/2003	10,000,000	3.50%	*****		1,000,000	9.634.994		1,477,000	3,554,856
Series 2000 Capital Improvement	1115/2003	\$2,110,000	200.50%	50.406.077			989.923			51,305,000
Series 2000 flatunding	11/19/2003	12,265,000	3:00 - 4:00%	7.565,558			1,079,600			8.595.000
Series 2004 Refunding	3/1/2004	95,395,000	2.00 - 5.00%	56,950,296		6.452.450	7,699,698		1,822,300	73.125.000
Series 2004 HUD	3/3/2004	13,000,005	432-601%	12,000,000		0.00,00	1,000,000		1,002,000	13,000,000
Series 2004 Property Acquisition	7/29/2004	1,775,000	5.38%	1,645,012						1.645.012
Series 2004 VRA	9132004	11,100,000	3.10%	1,040,010			11,100,000			
Series 2006 Capital Improvement	5/19/2005	59,320,000	250-500%	54,535,000			1,650,000			11,100,000
Series 2006 Refunding	5/15/2005	35 005 000	250-500%	29,297,789			5,657,211			64,365,000
Series 2005 VRA	3742006	11,500,000	200-2006	24,241,740			11,500,000			34,966,000
Total General Obligation Bands				1 30,7130	7	20,596.796	\$ 65,364,367	-	6,777,674	1 175172.00

			Business-b	ge Activities	
Bond Issue/Purpose	Dated	Interest Rate	Water Utility	Parking Facilities	Balance Outstanding
Series 1993 Water Revenue	11/1/1993	2.80 - 5.375%	\$ 52,320,000	1 .	\$ 52,320,000
Series 1995 Water Revenue	6/15/1995	5.00 - 7.00%	95,995,000		95,905,000
Series 1996 Water Revenue and Refunding	11/1/1998	4.00 - 5.125%	73,805,000	191	73,895,000
Series 1999 Parking System Revenue	2/15/1999	4.00 - 5.00%		14.220.000	14.220.000
Series 2001 Water Revenue and Refunding	10/15/2001	4.00 - 5.00%	32.545.000		32,545,000
Sories 2000A Variable Rate Parking System Revenue	10/26/2000	Variable		3,080,000	3.060.000
Series 2000B Parking System Revenue and Refunding	15/1/2000	5.50 - 5.67%		15.155.000	15.155.000
Series 2003: Subordinate Parking System Revenue	2711/2003	4.50%		1,046,500	1.046.500
Series 2003// Subordinate Parking System Revenue	7/11/2003	4.50%	5 31	297.500	292,500
Series 2004A Variable Rate Parking System Revenue	10/28/2004	Variable	0.00	6 505 000	6,605,000
Series 2004B Parking System Revenue	10/28/2004	2.50 - 5.00%		30,405,000	30,495,000
Series 2005 Water Revenue and Retunding	3/23/2005	3.50 - 5.00%	22,810,000	**********	22,610,000
Series 2005 Parking System Revenue Refunding	615/2005	2.50 - 5.00%	2,000	25,970,000	25,970,000
Total Revenue Bonds			\$ 277,345,000	\$ 96,774,000	\$ 374,159,000

The Parking system's variable rates bonds are remarketed weekly and are generally anticipated to be 0.05% to 0.10% higher than the one-month London Interbank Offered Rate.

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### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bond. These resources are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

The Parking Revenue bond covenants require that each year's parking facilities fund net revenue not be less than the greater of (i) the sum of 1.25 times senior debt service and (ii) 1.0 times ubordinated debt service and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the debt service reserve fund, the debt service reserve fund, the mack-orthur Center Granger server fund, the repair and replacement reserve fund, the surety bond interest fund and the subordinate debt service fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set saide for the repayment of the revenue bond indenture, certain resources are classified as restricted investments on the balance sheet because their use is limited by applicable bond covenants.

The detailed requirements to amortize water and parking revenue bonds are as follows:

		Water F	teve	nue	Parking Revenue					
Year Ending June 30,	_	Principal	_	Interest	_	Principal		Interest		
2007	5	7,310,000	5	14,379,821	\$	2,015,000	S	4.711.306		
2008		7,665,000		14,022,200		2,125,000		4,642,249		
2009		8,050,000		13,639,869		2,230,000		4,529,988		
2010		8,455,000		13,232,930		2,560,000		4,437,659		
2011		8,885,000		12,800,298		2,635,000		4,349,050		
2012-2016		52,020,000		56,419,646		14,534,000		19,739,105		
2017-2021		67,835,000		40,585,772		17,870,000		16,121,724		
2022-2026		79,490,000		19,907,596		22,855,000		11,326,918		
2027-2031		29,300,000		4,953,716		25,890,000		5,160,997		
2032-2036		8,375,000		800,109		4,060,000		487,275		
Total	5	277 385 000	2	190 741 957	•	96 774 000		25 506 221		

### D. Derivatives - Interest Rate Swap

Objective of the interest rate swap. As a means to hedge the City's parking enterprise operations' exposure to taxable variable interest rates, the City entered into an interest rate swap in connection with its taxable \$10,180,000 Variable Rate Parking System Revenue Bonds, Series 2000A. The intention of the swap was to

effectively change the City's interest rates on the bonds to a fixed rate of 4.70

Terms. The bonds mature on February 1, 2009. The swap agreement matures on February 1, 2007, and the swap's notional amount was \$3,080,000 on June 30, 2006. The notional amount on the swap declines in conjunction with the associated debt. Under the swap, the City pays the counterparty a fixed payment of 4.70 percent and receives a variable payment based on the London interbank Offered Rate (LIBOR). The bond's variable rate coupons are remarketed weekly and are generally antispated to 0.03% to 0.10% higher than one-month LIBOR. At June 30, 2006 the bonds were remarketed at 5.35 percent.

Fair Value. Because interest rates have declined since the execution of the swap, the swap on a market to market valuation has a negative fair value to the City of \$16,728\$ as of June 30,2006.

Credit Risk. As of June 30, 2006, the City was exposed to credit risk because the swap had a positive fair value. The city is exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fisch, AA- by Standard and Poor's and Aa1 by Moody's Investors Service as of June 30, 2006.

Basis Risk. The swap exposes the city to basis risk should the relationship between LIBOR and the remarketed rate diverges, changing the synthetic rate on the bonds. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

Termination Risk The contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination event if at any time the counterparty ceases to be obligated to extend credit in the credit greements for the underlying bonds.

Swap Payments and Associated Debt. As of June 30, 2006, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows:

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

At June 30, the following defeased bonds from advance refunding are still

Defeased In	Original Issue	General Obligaton			Parking Revenu Bonds			
2003 2004 2005 2005 2005 2005 2005	1997 1997 1997 1998 1999 2000	\$	19,775,000 20,630,000 4,680,000 6,300,000 4,050,000	s	18,775,000 25,575,000			
2005	2002		55.435.000	8	44,350,00			

### G. Capital Leases

The City leases certain buildings and certain computer, automotive, solid waste automation and other heavy equipment, which are recorded at a cost of \$12,203,656. Additions to Capital Leases, in the fiscal year ended June 30, 2006 of \$4,828,468 consist of additional borrowing by the General Fund.

The remaining debt service requirements, including interest at rales varying from 4.37% to 7.26%, will be retired by funds from the General Fund on the aforementioned contracts, as follows:

Year Ending June 30,	Lo	eneral ng-Term ligations	S	ervice Funds	_	Totals
2007 2008 2009 2010 2011 2012-2015		4,054,021 3,891,874 2,791,238 1,487,454 700,255 57,818	S	2,878 2,878 2,878 2,878 2,397	5	4,056,899 3,894,752 2,794,116 1,490,332 702,652 57,818
Total minumum lease payments Less interest		12,982,660 (779,004 12,203,656	_	13,909 (1,263) 12,646		12,996,569 (780,267) 12,216,302
Less current portion		(3,709,690	)	10.223	5	(3,712,113) 8,504,189

# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### Fiscal Year 2006 Discloss

Fiscal Years Ending June 30	Variable R	late Bond Interest		erest Rate wap Net		Total
2007 2008 2009	\$ 1,400,000 1,495,000 185,000		S	(16,728)	\$	1,517,343 1,551,765 190,795
Total	\$ 3,080,000	\$ 196,631	8	(16,728)	5	3,259,903

As rates vary, variable bond interest payments and net swap payments will vary.

### E. Other Notes and Loans

The General Fund assumed a note payable on behalf of the former National Maritime Center Authority and Holding Corporation of ILA Local 1248. The note will be paid according to the following schedule:

LLA. Year Ending June 30,		Principal	Interest			
2007	s	11.943	5	12,821		
2008		12.614		12,150		
2009		13,328		11,436		
2010		14,080		10,684		
2011		14.874		9,890		
2012-2016		87,948		35,872		
2017-2020		83,742		9,124		
Total	4	238,529	5	101,977		

### F. Advanced Refundings

Previously, the City of Norfolk defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the funds financial

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## CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### H. Landfill Liability

The City closed its Campostella landfill site on June 30, 1992. State and federal laws require the City to perform octain maintenance and monitoring activities at the site for 30 years after closure. The \$1,419,844 reported as an obligation for landfill closure and postvilosure costs, at June 30, reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

The Campostella landfill statistically exceeded groundwater protection standards in May, 2002. Until a remedy for corrective action is chosen and approved, \$1,000,000 is included in the liability for groundwater corrective action.

### I. Compensated Absences

A liability for vested vacation and sick leave benefits is recorded as general long-term obligations. These benefits represent future obligations of the following funds and component units:

Primary Government:		
Governmental activities General Fund Nonmajor governmental and	\$	13,820,247
internal service funds		1.154,277
Total governmental funds	\$	14,974,524
Enterprise Funds:		
Water utility fund	2	833,500
Wastewater utility fund		284,700
Parking fund		251,543
Total enterprise funds	2	1,369,743
Component Unit - School Board	\$	6,144,563
Component Unit - NRHA	5	1,717,101
Component Unit - CSB	5	846,528

### J. Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation berrowings, which may be issued by the City without referendum. At June 30, the City's debt limit is \$1,269,12,507 of which \$730,083,305 is available for creation of additional debt. There are no overlapping tax jurisdictions.

## K. Bonds Authorized and Unissued

A summary of bonds authorized and unissued as of June 30, 2006 are as follows:

Projects	Total
General Obligation Bonds Authorized and Unissuedi Capital Fund Projects General Capital Improvement Projects Maritime Genter Capital Improvement Projects Storm Water Capital Improvement Capital Fund Projects Total	\$ 75,062,625 32,300,000 5,668,840 113,031,465
Parking Facilities Fund Projects Wastewater Utility Fund Projects G.O. Bonds Authorized and Unissued	126,300 16,690,500 129,848,265
Revenue Bonds Authorized and Unissued:	
Water Utility Fund Projects Parking Facilities Fund Projects Revenue Bonds Authorized and Unissued	17,050,000 22,000,000 39,050,000
Total Bonds Authorized and Unissued:	\$ 168,898,26

## L. Changes in Long-Term Obligations

A summary of fiscal year 2006 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

		Dejusing Balance	_	Additions	_	Reductions	_	Enling. Balance		his One Year
COMPONENT UNIT ACTIVITIES: Bunds and Notes Psyshle: NIESIA Tural Bunds and Notes Psyshle	1	\$8,285,404 \$8,085,404	1 3	5,364,618 5,364,618	3	16,832,650	5	76,616,812 76,616,812	1	12,790,561
Other Lightlities: Visited Compensated Absences Community Services Bused NOMA Number Public Schools	*	341,908 1,848,395 4,887,628	5	98,370 373,392	5	131,494 1,316,457	3	\$46,528 1,717,161 6,144,363	3	613,277 200,613 363,195
Passion Liability: Community Services Storrd		297,825		834,832		797,625		874,992		874,952
Workers' Compensation Claims North's Public Schools		1,294,872		\$45,511		729,475		1,410,308		516,327
Claims Liability Newton Public Schools	_	100,000	_	53,622		13,633	_	100,000	-	30,000
Component Unit-type activities		m 101 eff		7,818,465		19,841,523		\$3,710,444	3	14,845,900

### IX. Other Liabilities

A current liability of \$853,000 has been recorded in the Water Utilities Fund to reflect an estimate of excess revenues received from a wholesale customer during fiscal years 2003 and 2004 under a water services contract. Pursuant to the terms of the contract, billings to the customer were based on budgeted Water Utility Fund capital and operating expenditures. The liability reflects the estimated difference between budgeted expenditures and actual cost of service as defined in the contract for that customer. In accordance with the contract, the fiscal year 2003 and 2004 portion of the liability will be reduced in fiscal year 2007 through credits to the customer's billings.

### X. Pension Plans

The City and its component units participate in three defined benefit pension retirement plans. These include the Employees' Ratisement System (ERS) of the City of Norfolk (XLA), Virginia Retirement System (VRS) a plan administered by the Commonwealth (VRS) and anoministered by the Commonwealth (VRS) and a plan for the tenefit of state employees in constitutional offices. In addition, the School Board and a cofferiod contribution plan.

## A. Employees' Retirement System of the City of Norfolk (System):

The Employees' Retirement System of the City of Norfolk (System) is the administrator of a single-employer noncontributory, defined benefit plan that covers substantially all employees of the City, excluding School Board and Constitutional

# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

	_				Primary Government					
		Beginning Balance		Attitions		Relation		Ending Relator	_	Amounts Dur
			_		-	F-160C-100-5	-	Relator		Vahin One Year
GOVERNMENTAL ACTIVITIES										
Book and Norm Psyable:										
Omeral obligation debt	5	436,860,211	5		5	39,554,406	5		1 500	
Notes IGT		446,316			•	207,787	,	397,305,885		37,251,68
Cipital Issues		13,261,785		4,828,468		5,886,997		238,529		11,540
Total Books and Notes Payable	3	450,568,392	1	4,828,468	1	45,648,790	5	12,203,656		3,799,690
Other Liabilities:				Andrea		43,046,790	3	409,748,070	2	40,973,317
Vested Compensated absences	\$	14,711,596	8	10.543.991		10,076,033		100.000.000		
Retirement System Costribution		21,142,954		22,979,764		21,142,954		14,679,456	3	10,000,000
Retiren's life insurance		765,000				85,000		22,979,764		22,979,364
Workers' componention claims		15,742,486		3,213,973				688,000		80,000
Automobile and general Subdity claims		1,198,649						18,956,459		4,000,649
Landfill closure and post-clusters uses		1,506,472				232,750		965,899		362,124
Total Other Liabilities	1	55,067,139	5	36,217,628	-	81,628	_	1,619,844		100,000
	-	22000,027	-	36,237,628	1	31,623,365	1	59,681,422	1	37,552,536
Governmental Activities										
Long-Term Liabilities	2	505,635,950	\$	41,066,096	5	77,272,155	1	469,429,492	5	76.525.363
Internal Service Funds										
Capital Issues	5	12,260	5							
Retirement System Contribution		345,730		13,021	5	12,635	\$	12,646	2	2.423
Visited Compensated absences		271,066		388,628		385,750		368,626		388,628
Total Internal Service Funds	\$	669,036	-	185,572	-	161,570		295,068		165,000
	-	997(324)	\$	587,221	1	559,935	1	696,342	1	556,051
Total Government	3	506,304,607	5	41,653,317	5	77,832,690	3	470,125,834	3	79,011,994
BUSINESS-TYPE ACTIVITIES:										
Bonds and Notes Psyable:										
Water	5	306,214,172								
Wastruster			5		5	10,499,912	5	295,714,260		11,036,450
Parking Solition		56,220,463		II,500,000		4,089,533		63,638,930		4,322,811
Total Bonds and Naxus Psyable	5	101,077,057	_			3,016,372		98,060,683		3,175,933
THE COME IN POST PRINCE	3	463,511,692	1	11,500,000	1	17,605,817	1	457,405,875	5	18,534,394
Vested Compensated Absences	5	1,304,664	127							1000
Retirement Obligation		2,124,072	5	1,369,743	5	1,304,664	5	1,369,743	5	1,030,486
Claims and judgements				2,319,263		2,124,072		2,359,263		2,359,263
	_	4,170,200	_	853,000		4,170,200		853,000		\$53,000
Posince-Type Agirities									_	
Long Torm Liabilities		471,110,628								
			5	16.012.006	5	25.204.753	5	461,987,881		

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#### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

Officers employees who are covered by the Virginia Retirement System. The System provides retirement benefits as well as death and disability benefits. All benefits west after 5 yeass of crediable service. Cost-of-living adjustments ("COLAs") are provided at the discretion of the City Council. The System and its benefits are established by Section 37 of the Code of the City of Norfolk, Virginia as amended. The ERS is included as a Pension Trust Fund in the City's financial statements and also issues a separate publicly available financial report that includes financial statements and required supplementary information for the ERS. That report may be obtained by writing to Employees' Retirement System of the City of Norfolk, City Hall Building, 810 Union Street, Suite 309, Norfolk, VA 23510.

## Funding Policy

Section 37 of the Code of the City of Norfolk, Virginia, established the authority under which the City's obligation to contribute to the plan is determined. Contribution requirements are actuaristly determined at the end of each fiscal year and paid by the City in the ensuing year. The contribution requirement of \$25,728,228 for the year ended just 90,2006 was based on 11.93 percent of covered payroll for general employees and 21.12 percent of covered payroll for public safety employees. This contribution requirement is recorded in the City's *Statement of Net Assets* as a liability payable to the pension fund and will be made in fiscal year 2007.

### Annual Pension Cost

For 2006, the System's annual pension cost was equal to the City's required and actual (to be made in 2007) contribution. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the projected unit credit cost method. The amortization methods used is level dollar closed. Significant extuarial assumptions included: (a) 7.3% investment rate of return (net of administrative expenses) and (b) projected average salary increases of 5.35%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The remaining amortization period at June 30, 2006 was 20 years.

### Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost				Percentage of APC Contributed	Net Pensi Obligati	
June 30, 2006	\$	25,728,228	100%	\$			
June 30, 2005	\$	23,652,756	100%	5			
June 30, 2004	8	23,469,744	100%	5	-		

# B. School Board - Retirement Plans

# Plan Description - Virginia Retirement System (VRS)

Plan Description - Virginia Retirement System (VRS)

The School Board contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after for the School Board must participate in unreduced retirements benefit for the School Board must 50 with 30 years of service and at 150 with 30 years of service payable their servage final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retires who retire prior to becoming eligible for full retirement benefits. In critices qualify for annual cost-of-living adjustments (COLA) are must be retired to the school provides death and clashilly benefits. Title 51.1 of the Code of Viginia (1950), as amended, assign the authority to establish and amend benefit provision to the Code of Viginia (1950), as a particular of the VRS is to the provision of Viginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <a href="http://www.varctine.org/14/2005/AnnuRent\_off">http://www.varctine.org/14/2005/AnnuRent\_off</a> of obtained by writing VRS at P. O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Title 5.1.1 of the Code of Virginis (1950) require plan members, as amended, to
contribute 5% of their annual reported compensation to the VRS. The School Board
is assumed the 5% member contribution. In addition, the School Board is required
sometiment for remaining amounts necessary to find its participation in the VRS
sometiment for remaining amounts necessary to find its participation in the VRS
states of the actuarial basis specified by the Code of Virginia and approved by the School
Board's Prostees. The School Board's professional and
Board of Trustees. The School Board's professional and
and 5.00% of annual covered payroll, respectively. The School Board's professional
and 5.00% of annual covered payroll, respectively. The School Board's virginia
School Board division's
contributions to the VRS for the years ended June 30, 2006, 2005, and 2004 were
\$2,343,55,94, \$23,809,226 and \$17,233,503, respectively, equal to the required
contributions for each year.

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

The Virginia Retirement System is the administrator of the plan and Great West Retirement is the trustee. Contributions for the year ended June 30, 2006 were fixed contributions of \$19,760.

# School Board - Post Employment Benefits

In addition to the pension benefits described, the School Board provides postretirement health care benefits, in accordance with adopted statutes, to all employees,
who retire from the School Division. This benefit is public until the retiree reaches
age 65. Al June 30, 2006, 795 retirees met the eligibility engineements and have
elected to receive this benefit. The School Board has anger 65 rep remoth towards
who has elected to continue health care coverage the sum of 379 erront boursets
the ost of their health care benefits. The School Board bysis the health care benefits
over a ten-menth period (September to June). Expenditures to prost-retirement
health care benefits are recognized on a monthly basis through the School Board's
financial records. An average of 795 retires received post employment benefits that
totaled \$5713,000 for the current fiscal year.

# C. State Employees – Virginia Retirement System (VRS):

Plan Description
The City of Norfolk contributes to the Virginia Retirement System (VRS), an agent and cost sharing multi-employer defined benefit pension plan administered by the VRS. All full-time, salaried permanent state employees in the City's flower of the Revenue, City Tensurer, Circuit Courts, Commonwealth Commissioner of the Revenue, City Tensurer, Circuit Courts, Commonwealth (Commonwealth Schoffield and all. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service for participating law enforcement officers and freefighter of owith 5 years of service for participating and passes of service for participating and process of the participating and participating and process of the participation and partic

# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### Annual Pension Cost

Abnuar Fension Loss

For 2006, the School Board's annual pension costs of \$24,752,616 and \$1,603,078
for professional and nonprofessional employees, respectively, were equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2003 extuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 3.5% to 5.43% for Non-LEO and 3.5% to 4.71% for LEO employees per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the School Board's assets is equal to the modified market value of assets.

This method was determined using techniques that smooth the effects of short-tervolatility in the market value of assets over a five-year period.

Trend information for the School Board is as follows:

Ended	P	ension Cost	APC Contributed	ОЫ	igation
June 30, 2006 June 30, 2005 June 30, 2004	S	24,355,694 23,809,236 17,323,505	100% 100% 100%	S	9

## School Board - Superintendent Defined Contribution Plan

The School Board adopted a separate retirement plan for the Norfolk Superintendent of Schools in which the Superintendent could elect out of the defined benefit plan administered by VRS and opt into an Optional Retirement Plan for School Superintendents (ORPSS) under Virginia Code Section 51.1-126.6, also administered by VRS. The ORPSS is a defined contribution plan.

For any plan year commencing after June 30, 2006 that the participant remains an cligible employee, the School Board will set the amount for the plan contribution on behalf of the participant using the percentage of gross annual salary authorized under Virginia Statue. The current percentage is 10.4%. For the plan year, The School Board, in its discretion may contribute to another qualified or non-qualified plan an additional amount not to exceed the difference between the amount contributed to the ORPSS and \$25,000.

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

## Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the City. In addition, the City is required to contribute to mentaling amounts necessary to find its participation in the VRS using an actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the year ended June 30, 2005 was 4.6.4% of annual covered payroll. Contributions to the VRS for the year ended June 30, 2006 were \$1,811,831 equal to the required contribution.

Annual Fension Cost

For 2006, the City's annual pension cost of \$1,811,851 was equal to the City's

For 2006, the City's unual pension cost of \$1,811,851 was equal to the City's

For 2006, the City's unual pension cost of \$1,811,851 was equal to the City's

of the June 30, 2005 sectuarial valuation using the cours age normal actuarial cost

method. The amortization method is level percent. The actuarial assumptions

included; (a) 7.5% investment rate of return; (b) projected states in terescence of 3.5% to

5.73% per year, and (c) 2.5% per year cost-of-citying distance in 1801; (c) and (b)

include an influion component of 3%. The sensarial valual (City's assets is

equal to the modified market value of assets. This method was determined using

techniques that smooth the effects of short-term volatility in the market value of

investments over a five-year period. The remaining amortization period is 21 years.

Transl information for the City USS shar is an obliques.

Trend information for the City VRS plan is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension		
June 30, 2006	\$ 1,811,851		Obligation		
June 30, 2005	\$ 1,771,496	100%	5 -		
June 30, 2004		100%	\$ .		
200, 2004	\$ 1,375,320	100%	2		

# XI. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance Internal Revenue Code Section 457. The plan, available to all City employees, pe them to defer a portion of their salary until future years. The deferral may be up percent of gross income up to a maximum of \$14,000 per year. The det

compensation plan is not available to employees until termination, retirement, death or unforseeable emergency.

The laws governing the City's deferred compensation plan have been complied with pursuant to the provisions of IRC Section 457. Accordingly, all assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

# XII. Other Post-employment Benefits

The City provides postretirement health care benefits, in accordance with state statutes which require the City to extend access to healthcare benefits to certain retirees. To qualify, retiree's must have 15 years of continuous service or retire on accidental disability. The City pays 535 per month per participating retiree who agrees to pay the remaining premium. The City's regular health care provider underwrites the retiree's replicies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year-end, there were 621 employees who had retired and are participating in the plan. The City finances the plan on a pay as you go basis. For the year ended June 30, 2006, the City paid \$186,300 for these benefits, which was not of \$3,115,321 in retiree

# XIII. Interfund Receivable and Payable Balances

The composition of interfund activity as of June 30, 2006, is as follows: Due to/from other funds:

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

## XIV. Interfund Transfers

The following interfund transfers occurred during fiscal year 2006:

Fund	-	In	_	Out
General Debt Service Capital projects fund		11,835,850 55,726,624 14,396,418	S	71,712,560 2,132,678
Nonmajor governmental funds		15,225,772		12,296,891
Internal Service Funds: Fleet Management		825,000		
Enterprise: Water Utility Wastewater Utility		1		10,117,535 1,500,000 250,000
Parking.	-5	98,009,664	Š	98,009,664

The purpose of the transfer balances are as follows:

General fund transfers in of \$11,835,850 include \$1,632,678 from the capital projects fund, \$199,050 from the grants fund, and \$4,122 from the trust and agency funds for fund, \$199,050 from the capital projects cannot on cash balances; \$1,500,000 from the wastewater fund and \$8,500,000 from the water utility fund represents a return on investment back to the general fund.

The general fund transfers out of \$71,712,560 represents a transfer of \$53,963,892 to the debt service fund to fund general obligation debt and capital lease payments; \$4,200,000 to the capital projects fund as a contribution for annual capital improvement plan budget; \$9,867,286 to the grants fund in support of grant projects; \$1,500,000 to the nauticus \$9,867,286 to the grants fund in support of grant projects; \$1,500,000 to the nauticus fund, \$404,617 to the certerivies fund, \$951,765 to E0/911 fund and \$825,000 to ISF Fund -Fleet Management as contributions from the general fund.

Debt service transfers include \$1,762,732 from storm water fund and \$53,963,892 from the general fund to fund the current year's debt service payments.

The storm water special revenue fund transferred \$1,762,732 to the debt service fund to cover its debt service cost and \$34,883 to the capital projects fund in support of related capital projects.

The public amenities special revenue type fund transferred \$4,250,000 to the capital-projects fund in support of the fund's capital related projects and transferred \$20,000 to the grants fund.

# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

General	Payroll Agency Capital Projects Water Utility Wastewater Parking Fund Cemetary Fund Nauticus Grants	S	803,465 379,577 1,985,540 421,974 22,783 9,073
	Water Utility Wastewater Parking Fund Cemetary Fund Nauticus		379,577 1,985,540 421,974 22,783
	Wastewater Parking Fund Cemetary Fund Nauticus		1,985,540 421,974 22,783
	Parking Fund Cemetary Fund Nauticus		421,974 22,783
	Cemetary Fund Nauticus		22,783
	Nauticus		
	Grante		229,317
			2,196,597
	Stormwater		17,718
	Towing		1,948
	Fleet Management		17,039
	Storehouse		2.741
	Emergency Operation Center - 911		19,287
	Maritime Facility		560
	Expendable Trust		10,000
	Community Development		
	General Fund		1,059
	Total General	5	7,135,658
		-	7,133,038
Capital Projects	Water Utility Fund	s	1,847,155
	Wastewater fund	9	2,886,412
	Total Capital Projects	\$	4,733,567
	- Topics	-	4,733,367
Nonmajor Governmental Funds	General Fund	2	645,575
	Nauticus		
	Public Ammenities		215,796
	Cemetaries		1,626
	Total Nonmajor governmental	\$	882,997
		÷	882,997
Enterprise Funds	General Fund	s	
	Water	3	485,489
	Total Enterprise	5	43,712
		-	529,201
Internal Service Funds	Water Utility Fund	5	37,795
	Grand Total		
	Grand Total	\$ 1	3,319,218

ne outstanding balances between funds result mainly from the time lag between the tes (1) interfund good and services are provided or reimbursement occurs, (2) insaction are recorded in the accounting system, and (3) payment between funds are ide.

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

The water and wastewater funds transferred \$8,500,000 and \$1,500,000 to the general fund as a return on investment, respectively.

The parking fund transferred \$250,000 to the maritime facility fund to cover parking cost

The general fund also transferred \$92,594,910 to the School Board component unit, and \$2,775,000 to the Community Service Board component unit during the fiscal year. These amounts are reported as expenses in the perinary government's financial statements, and revenues in the component unit financial statements.

## XV. Recovered Costs

Recovered costs in the General I	Fund consist of	the following:
Public Health Center	2	1,845,40
Information Systems Recove	ries	1,828,38
Retirement Bureau		429.01
Debt Service Recoveries		241.04
Administrative Costs Recove From Enterprise Funds	nies	2,866,86
HRT Subsidy		2,654,00
Other Total	5	2,801,933 12,666,645

### XVI. Other Liabilities

Other liabilities, as presented in the Fund Financial Statements, consist of the following:

Governmental Funds: General Fund - Miscellaneous General Fund - Accrued expenditures Special Revenue Fund - Miscellaneous	\$	60,605 2,284,057 207,282
openia in the control of the control	5	2,551,944
Enterprise Funds: Water Utility Fund - Due to other governments Water Utility Fund - Miscellaneous	S	853,000 332,390 334,655
Wastewater Utility Fund - Miscellaneous	\$	1,520,045
Fiduciary Funds: Other Agency Funds	\$	3,777,336 596
Commonwealth of Virginia	5	3,777,932

## XVII. Supplemental Appropriations

The following supplemental appropriations were made to the general fund operating budgets during the fiscal year:

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### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### C. Notes receivable

Deferred revenue in the General Fund, representing noncurrent notes receivable not available for funding current expenditures at June 30, 2006, totals \$91,586.

### XIX. Commitments and Contingencies

## A. Capital Projects

Commitments for completion of capital projects in the Business-Type Activities, authorized at June 30, are as follows:

Water utility development projects Wastewater utility development projects Parking facilities development projects	S	6,489,32 13,457,73 506,41
		20.453.49

## B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts such collected, may constitute a liability of the applicable funds. The constitute of the applicable funds. The constitute of the property of the principal constitute of the property of the propert

### C. Litigation

From time to time the Fund and the City are defendants in a number of lawsuits. Although it is not possible to determine the final outcome on these matters, management and the City attorney are of the option that the liability will not be material and will not have a significant effect on the Fund's financial condition.

During fiscal year 2006, the Fund and the wholesale customer became involved in a dispute over the amount of usage by the customer and related water billing going back to 2002 in the amount of approximately \$6.5 million. The Fund has recorded amount is telleves is consistent with the requisite water contracts with this customer's Management and the Fund's legal counsel are unable to reasonably estimate the amount of any additional liability that may be incurred upon the ultimate resolution of this dispute.

### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

General Fund:		
Approved FY 2005-2006 budget	3	726,401,20
Supplemental appropriations from additional revenue:	,	725,901,20
Reinforsement from Commonwealth of Varginia for street maintenance projects.		63,63
Reinbursement from Federal government for apprade of touchscreen voting equipment		367,200
applemental appropriations from general fund fund balance: Additional funds appropriated to cover costs associated with visitor promotions and		
advertising for conventions and tourism.		300,000
Additional funds appropriated to cover costs associated with capital improvement increases.		900,000
Total supplemental appropriations	_	1,631,034
Final budget	5	728,032,234

### XVIII. Deferred Revenue

Deferred revenue, as represented in the Fund Financial Statements at June 30, totals \$25,817,916 and is comprised of the following:

#### A. Deferred grant funding

In the Grants Fund, deferred revenue represents monies accepted from a grantor using an advancement method for payments. The amount is reduced and revenue is recorded when expenditures are incurred in accordance with the grantors' requirements. If expenditures are not incurred, the funds will revert back to the grantors. In the Community Development Fund, the deferred revenue represents deferred payment rehabilitation loss of \$772,118. Deferred grant funding reported in the combining financial statements for nonmajor governmental funds at June 30, comprise the following:

Community development Storm Water - deferred billings		772,118 211,821
Total primary government - Special Revenue Funds	s	983,939

### B. Deferred property tax revenue

Deferred revenue in the General Fund, representing uncollected tax billings not available for funding of current expenditures as of June 30, 2006 is \$24,742,391

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#### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### XX. Surety Bonds and Insurance

Surety	Official	Amount
Commonwealth of Virginia	Sharon McDonald, Commissioner of the Revenue	\$ 3,000
	Thomas W. Moss, Jr., City Treasurer	1,500,000
	Robert J. McCabe, Sheriff	30,000
	George E. Schaefer., Clerk of the Circuit Court	2,235,000
	Total Commonwealth of Virginia	\$3,768,000
Commonwealth of Virginia	All employees of the City Treasurer, Sheriff, Commissioner of	
	the Revenue, Commonwealth Attorney and Clerk of Court	
	Performance of Duty Bond	\$ 500,000
City of Norfolk		
Travelers Insurance Co.	All City employees	\$ 500,000

### XXI. Self and Purchased Insurance Programs

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and, natural disasters. On July 11, 1978, the City established a protected self-insurance program fund, pursuant to an ordinance adopted by City Council, to cover itself from these risks of losses. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2006 was \$6,848,315.

The City currently reports all these activities as part of the risk management function in the general government section of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, these liabilities were \$19,922,758, of which \$4,959,772 represents the current portion anticipated to be paid within a year. Estimated liabilities, as determined by an extaury, are reported at their present value, using the expected future investment yield assumption of five percent.

Changes in the City's claims liability amount in the fiscal years 2003 through 2006 are as follows:

Cla Begi Fisca	Unpaid Claims Beginning Fiscal-year	Incurred Claims and Changes in Estimates		Claims Payments	Unpaid Claims End of Fiscal-year
	\$16,581,654	S	6,382,569	\$(4,774,287)	\$18,189,936
2004	18,189,936		6,188,209	(7,357,365)	17,020,780
2005	17,020,780		5,464,863	(5,544,508)	16,941,133
2006	16 941 135		9 249 731	(5.267.508)	19.922.358

The City in its General Fund has designated \$4,740,162 of fund balance to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage, and settled claims have not exceeded coverage in any of the past three fiscal years.

The School Board also participates in the program and its projected present value assuming a discount rate of five percent liability at June 30, 2006 was \$1,510.508. It also provides payments for its risk of loss furnogla a combination of parchased insurance policies and self-insurance plans. These losses are funded through the Public Schools operating budgets and/or the City's furn Bulmene designation.

### XXII. Jointly Governed Organizations

### A. Hampton Roads Regional Jail Authority (HRRJA)

Hampton Rouss Regional analysis (victority) (victority) HRRJA is a regional organization which includes the cities of Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community, HRRJA is a primary soverminent, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 33.1 of Directors, consisting of these representatives appointed by each of the member cities. The badgeting and financing of HRRJA are subject to the approval of the Board of Directors, with each individual having a single vote. IRRJA is responsible for its own financial matters, maintains is to own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in the Authority, and accordingly, no equity interest has been reflected in the City's financial statements at June 39, 2006. Complete financial statements of HRRIA can be obtained from HRRIA.

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by an eight-member Board of Directors consisting of a representative appointed by each of the member cities and counties. Budgeting and filmancing of SPSA is subject to the approval of the Board of Directors with each representative having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountaints that it engages.

The participating governments do not have an equity interest in SPSA, and accordingly no equity interest has been reflected in the City's financial statements at June 30, 2006 Complete financial statements of the SPSA can be obtained from the SPSA.

### XXIV. Related Organizations

### A. Norfolk Airport Authority

Norfolk Airport Authority

Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport fead and an Investment Fund. The Airport Fund was established by the Authority to account for the operations of the Norfolk International Airport (the Airport, Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority to provide for evertain airport capital improvements. The Authority finances individual capital projects by issuing boods or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Council but the Commission designates its own management and has oversight responsibility for its own fixed matters. The City does not provide funds for the operations of the Authority and, pursuant to Section 144(q) of the City Charter, the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City of Norfolk has the option to reaccepture, without condideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

## B. The Economic Development Authority of the City of Norfolk (The Authority)

The Economic Development Authority, a political subdivision of the Commonwealth of Virginia, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Economic Development and Revenue Bond

# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### B. Hampton Roads Planning District Commission (the Commission)

A regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsuals Planning District Commission on July 1, 1990. The Commission or planning acrivices for the Cities of Chesapeake, Franklin, Hampfon, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the Counties of Gloucester, Isle of Wight, James City, Southampton and York, Revenue of the Commission is received primarily from local governmental (member) contributions and various state and primarily from local g federal grant programs

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2006. Complete financial statements of the Commission can be obtained from the Commission.

#### C. Tidewater Transportation District Commission (TTDC)

A political subdivision of the Commonwealth of Virginia formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of a joint exercise of governmental power in accordance with provisions of the provision facilities and services within the Cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake and Suffolk, Virginia, Oversight responsibility is exercised by all of the participating localities through their designated professional management.

The participating governments do not have an equity interest in TTDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2006. Complete financial statements of TTDC can be obtained from TTDC.

### XXIII. Joint Venture

### Southeastern Public Service Authority (SPSA)

SPSA is a joint venture of the Cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate

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#### CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

Act of the Commonwealth of Virginia (Title 15.1, Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia (1950), as amended. It is authorized to acquire, own, lesse and dispose of properties to the end that such activities may promote industry and develop trade by inducing manufacturing, industrial and commercial enterpriess to locate or remain in the City and further the use of the Commonwealth's agricultural and natural resources. The Authority is cimpowered by the Commonwealth to authorize industrial development bonds and confer tax-exempt status on interest paid to financial institutions. The Authority acts as an intermediary between financial institutions and borrowers; it has no responsibility for borrowers' debt. Although Commissioners are appointed by City Council, the Commission designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from administrative fees charged to borrowers.

### C. The Chrysler Museum, Inc. (the Museum)

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980 by incorporating the Chrysler Museum at Norfolk: The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from administrative fees charged to visitors and from other independent grants.

### D. The Hospital Authority of Norfolk (HAN)

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1998. HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled mursing care.

### XXV. Adjustments to Beginning Capital Assets and Net Assets

The City's beginning capital assets and net assets in the government-wide statements have been restated to adjust historical cost and accumulated depreciation on the City's capital assets to correct an error associated with capitalizing certain public buildings, building improvements and land so which the City contributed funds but to which the City does not hold the title to the assets. As a result, net assets and capital assets were reduced by \$23.8 million.

The School Board discovered an error in calculating prior year depreciation expenses resulting in an overstatement of capital and net assets. As a result, beginning net and capital assets were restated by \$3.6 million.

The School Board also determined that capitalized assets for leasehold improvements and equipment/vehicles were not properly recorded resulting in an understatement of capital and net assets in the 2005 fiscal year. As a result beginning net and capital assets were restated by 90.5 million.

Adjustments to the City and Board's net assets are as follows:

	Primary Government		School Board Governmental Activities	
	Governmental Activities			
Net Assets, June 30, 2005, As Previously Reported Adjustments	\$	502,234,359 (20.822,292)	s	71,114,361 (3,117,924)
Net Assets, June 30, 2005, As Restated	\$	481,412,067	3	67,996,437

### XXVI. Subsequent Events

### A. General Obligation Wastewater Bond, Series 2006B

On September 28, 2006, the City issued \$14,250,000 in General Obligation Wastewater Bonds, utilizing a federally subsidized interest rate loan program administered by the Virginia Resource Authority Loan (VRA). The bonds were sold at a true interest cost of one.

## B. General Obligation Capital Improvement and Refunding Bonds, Series 2006

On November 15, 2006, the City issued \$115,055,000 in General Obligation Capital Improvement and Refunding Bonds, Series 2006. Taking advantage of low interest rates, the City refunded \$14,840,000 in Capital Improvement Bonds issued as Series 12000, 2002 and 20028. Approximately \$609,500 in present value savings will be realized as a result of this refunding. The remaining proceeds will be used to fund the cashflow needs for the City's capital improvement projects.

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# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

This statement includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Therefore, any assets for future revenues) sold or donated with the same financial reporting entity should continue to be reported at their current carry value when those assets or future revenues or transferred.

This statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivable or future revenues, including residual interest and recourse provisions. The disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. The requirements of this Statement are effective for financial statement for periods beginning after December 15, 2006.

GASB Statement 49, Accounting and Financial Reporting or Pollution Remediation Obligations, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standars government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public of environment and the government has little or no discretion to avoid fixing the problem.
- · A government has violated a pollution prevention-related permit or license.
- A regulator has identified (or evidence indicates it will identify) a government as
  responsible (or potentially responsible) for cleaning up pollution, or for paying all
  or some of the cost of the clean up.
- A government is named (or evidence indicates tat it will be named) in a lawsuit to compel it to address the pollution.
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

Statement 49 also will require governments to disclose information about their pollution obligations associated with clean up efforts in the notes of the financial statements. 49 will be effective for financial statements for periods beginning after December-15, 2007, but tiabilities should be measured at the beginning of that period so that the beginning not associated and the statements of the periods beginning on the statement of the period beginning of the statement of the period so that the beginning of the statement of the period so that the beginning not associated can be restated.

# CITY OF NORFOLK, VIRGINIA NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2006

### XXVII. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements prior to June 30, 2006 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statement of the City.

- GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Fensions. This statement establishes standards for the measurement, recognition and display of expensee/expenditures and related liabilities (assets), not disclosures and it applicable, required supplementary information in the financial reports of state and local government employers on the post employment benefits (70PBB?). The Fund is required to adopt this statement in the same year as the City of Norfolk.
  GASB Statement 47, Accounting for Termination Benefits. This statement requires financial statement prepared on the accrual basis of accounting to recognize a liability and expense for violuntary termination benefits when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits should be recognized when a plan of termination has been approved by those with the authority to commit the entity to the plan, the plan has been communicated to employees, and the amount can be estimated. The Fund is required to adopt portions this statement for the termination of benefits proved through a next sing defined benefit OFBB plan that same time it adopts GASB Statement 45 mentioned above.
  GASB Statement 48, Sales and Pledges of Receivables and Future Revenue and
- benefits proved through an existing defined benefit OPEB plan that same time it adopts GABS blatement 45 meinticoed above.

  GASB Statement 48, Sales and Pledges of Receivables and Future Revenue and Intra- Entity Transfers of Assets and Future Revenue. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue of as it liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables of future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as Collaberalized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving floreivables sould be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements, if it is determined that a transaction involving fluture revenues should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be received and amortized, except when apported as a sale, the revenue should be deferred and amortized, except when apported as fully in the period of the sale in the claims and the proceeds as also the difference when the proceeds are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. GASB State

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## REQUIRED SUPPLEMENTARY INFORMATION

(OTHER THAN MANAGEMENT'S **DISCUSSION & ANALYSIS)** 



# CITY OF NORFOLK, VA REQUIRED SUPPLEMENTARY INFORMATION Schedule of Funding Progress for Retirement Plans - (unsudired)

Actuarial Valuation Date	Actuarial Value of Annth	ш	Actuarial Accrued shility (AAL)	(0	Unfunded Iverfunded) Actuarial Accrued bility (UAAL)	Funded Ratio		Covered Eastell	UAAL as a percentage of covered payrol
CITY - EMPLOY	EES RETIREMEN	rt sy	STEM				ı,		34.6%
June 30, 2003 1		8	\$13,200,000	5	52,700,000	93.5%		152,100,000	53,4%
June 30, 2004 1		8	845,700,000	5	84,200,000	90.0%		157,700,000	18.6%
June 30, 2005		5	883,900,000	8	29,800,000	96.6%		160,200,000	36.5%
June 30, 2006		5	939,100,000	5	58,100,000	93.8%	2	159,300,000	36,5%
CITY - VRS EMI	LOYEES							19,559,156	-31.1%
June 30, 2003	\$ 27,119,818	5	21,029,342		(6,090,476)			20,546,354	-24.2%
June 30, 2004	5 28,802,620	5	23,822,673	3	(4,979,947)				-17.5%
June 30, 2005	\$ 30,349,720	5	26,612,472		(3,737,248)			21,369,062	-0.5%
June 30, 2006			32,346,396	5	(121,242)	100.4%	5	22,898,124	40.576
SCHOOL BOAR	D COMPONENT	UNIT	- VRS NON-PE	OFE	SSIONAL EMPI	LOYEES			-40.7%
June 30, 2003		3	49,029,563	\$	(5,126,138)	110.5%		12,591,462	
June 30, 2004		8	51,919,382	5	(1,251,569)			13,052,011	-9.6%
June 30, 2005			54,345,074	5	1,579,325			13,647,900	
run 90, 2003	B 240-100-1		41.160.000		9 744 677	86.6%		14.211.173	58.0%

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# CTTY OF NORFOLK, VIRGINIA Schedule of Expenditures, Budget and Actual (Unaudited) General Fund For the Year Ended June 30, 2006

Exhibit E-2

		Original Budget		Final Budget		Budget Basis Actual	(ne Vari	ositive egative) ance with al Budget
egislative	5	3,610,300	3	3,769,800	5	3,749,028	3	20,772
Executive		1.826.100		1,825,100		1,755,182		70,918
Department of Law		3 330 500		3,424,470		3,472,616		(46, 146)
Pinance		22 953 400		29,238,502		29,864,704		(626,202)
Pinance Department of Human Resources		3,349,800		3,474,800		3,384,668		90,132
Courts, Sheriff and Detention		39,105,400		40,366,477		41,042,463		(675,985)
Courts, Sheriff and Deteriors Denartment of Public Health		5.404.300		5.424,300		5,458,089		(33,789)
Department of Public Reach Department of Human Services		61.369.800		60.775.830		60.597,511		178,319
Department of Public Works		35.831.600		36,227,434		36,212,725		14,709
Neighborhood & Leisure Services		16.845.500		16.045,500		15,625,431		420,069
Neighborhood & Lesure Services Education		290,464,500		290,464,600		287,505,312		2,959,288
Education Norfolk Public Libraries		6,959,000		6,959,000		6.949,870		9,130
		555,300		985,900		974,135		11,765
Elections Department of Planning		4,869,800		4,589,800		4,498,342		91,458
Department of Planning Department of Civic Facilities		6.182.500		6,319,900		6.373.211		(53,311)
		22.575.000		15,934,434		13.816.771		2,117,663
Departmental Support Outside Agencies		27.330.300		27,760,989		26.317.522		1,443,467
Department of Police		56.257,900		55.057.900		54,737,673		320,227
Department of Police Department of Fire and Resuce Services		34,190,600		35,245,600		35.219.592		26,008
		431,100		431,100		428,495		2,605
Public Safety Support Debt Service		65,520,500		66,110,500		66,084,082		26,418
Department of Facility and Enterprise								683
Management						(683)		12.620
Budget and Management		758,500		758,500		745,880		(65,184
Econonic Development		2,030,000		2,030,000		2,095,184		20,960
Intergovernmental Programs		540,200		549,036		528,076		(5.482
Communications and Public Relations		1,418,700		1,533,700		1,539,182		314,103
Department of Information Technology		8,869,000		8,869,000		241.535		1.327
Office of Grants Management		205,200		242,862				14.431
Virginia Zoological Park		3,439,200		3,439,200		3,424,769		26.663
Office of Homelessness	_	177,000		177,000	-	150,337	-	20,000
Total General Fund Expenditure Budget		726,401,200		728,032,234	5	721,346,599	\$	6,685,633

CITY OF NORFOLK, VIRGINIA

Schedule of Revenue, Budget and Actual (Unaudited)
General Fund
For the Year Ended June 30, 2006

Exhibit E-I

	Original Budget	Final Budget	Budget Basis Actual	Ve	Positive negative) riance with nal Budget
General Property Taxes	\$ 206,599,000	\$ 206,599,000	\$ 210,595,835	5	3,996,835
Other Local Taxes	143,830,400	144,130,400	148,336,907		4,206,507
Permits, Privilege Fees, Licenses	3,441,400	3,441,400	4,088,238		646,838
Fines and Forfeitures	1,671,500	1,671,500	1,461,418		(210,082)
Revenue from Use of Money and Property	6,597,500	6,597,500	9,370,313		2,772,813
Charges for Services	20,723,800	20,723,800	21,515,539		791,739
Miscellaneous Revenue	4,306,100	4,306,100	6,819,209		2,513,169
Recovered Cests	12,758,200	12,758,200	12,671,784		(86,416)
Non-Categorical Aid - Virginia	33,793,100	33,793,100	35,466,201		1,673,101
Shared Expense - Veginia	19,140,100	19,140,100	19,397,765		257,685
Categorical Aid - Virginia	252,400,700	252,464,534	245,801,067		(6,662,867)
Categorical Aid - Federal	8.354,000	8,354,000	5,810,416		(2,543,584)
Interfund Transfers	12,785,400	14,052,600	14,332,346	_	279,746
Total Revenue Budget	\$ 726,401,200	\$ 728,032,234	\$ 735,667,718	\$	7,635,484

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### CITY OF NORFOLK, VIRGINIA Notes to Required Supplementary Information stion of (non-GAAP) Budgetary Basis to GAAP (Unaudited) June 30, 2006

		General Fund
Sourcealinflows of resources:		
Actual amounts (budgetary basis) "available for appropriation" from the Budget to		
Actual Comparison Statement	5	735.667.718
Differences—budget to GAAP:		
The effects of accounting for School Revenue as a Component Unit		(194,986,191)
The effects of accounting for revenue on a modified account basis		(4,026,500)
General fund transfers from other funds are inflows of budgetary resources but are not		
revenues for financial reporting purposes		(11,835,850)
Total revenues as reported on the Statement of Revenues, Expenditures, and		
Changes in Fund Balances - Governmental Funds	3	524,819,177
Uses/outflows of resources:		
Actual amounts (budgetary basis) "Total charges to appropriations" from the		
Budget to Actual Comparison Statement	\$	721,346,599
Differences-budget to GAAP:		
The effects of accounting for School Revenue as a Component Unit		(194,910,402)
The effects of accounting for expenditures on a modified account basis		4,828,468
Encumbrances for supplies and equipment ordered but not received is reported in the year		
the order is placed for budgetary purposes, but in the year the supplies are		
received for financial reporting purposes		(4,678,626)
The Traffic Operations and Tax Incentive funds are governmental in nature of operations		
and thus are merged into the governmental fund balances on a GAAP basis.		
on a budgetary basis these funds are separate from the general fund		399,733
General fund transfers to other funds are outflows of budgetary resources but are not		
expenditures for financial reporting purposes		(71,712,560)
Total expenditures as reported on the Statement of Revenues, Expenditures, and		
Changes in Fund Balances—Governmental Funds	\$	455,273,212
There were no material violations of the annual appropriated budget for the General Fund for the fiscal year		

### OTHER SUPPLEMENTARY INFORMATION

#### COMBINING FINANCIAL STATEMENTS

~ Nonmajor Governmental Funds ~ ~Agency Funds ~ ~ Internal Service Funds ~

#### OTHER SCHEDULES

- ~ Schedule of Expenditures of Federal Awards ~
- ~ Note to Schedule of Expenditures of Federal Awards ~
- Schedule of Revenues and Expenditures Budget and Actual - Special Revenue Funds ~

Schedule of Revenues and Expenditures – Budget and Actual – Internal Service Funds ~

Schedule of Revenues and Expenditures – Budget and Actual – Capital Projects Fund ~



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#### Nonmajor Governmental Funds (Con't)

Tax Increment Financing Fund: To account for debt service requirements for the Section 108
Loan and property tax collections within the Broad Creek Renaissance Tax Increment Financing
District.

Towing & Recovery Operations Fund: To improve neighborhood livability by providing reliable dispatching of towing services, storage of vehicles and recovery or disposal of vehicles.

#### Permanent Fund

The Permanent funds are used to report resources that are legally restricted to the extent that only earning, not principal, may be used for purposes that support the reporting overnment? programs. The City's permanent fund (non-expendable trust) is used to account for the perpetual care and endowed care at certain City-owned cemeteries.



Nonmajor Governmental Funds

#### Special Revenue Funds

The Special Revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The individual special revenue funds are:

Storm Water Fund: To account for the operation of the environmental storm water management system, including maintenance of storm water drainage facilities. The costs of providing services on a continuing basis are partially financed or recovered through user charges to Norfolk residents and commercial and industrial customers.

<u>Grants Fund</u>: To account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds and to finance special programs that may have reporting periods that do not correspond with the City's fiscal year.

Community Development Fund: To account for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.

National Maritime Center (Nauticus) Fund: To account for the operation of the National Maritime Center and Battleship Wisconsin tours.

National Maritime Facilities Fund: To account for the operation of the National Maritime Facilities and Cruise Terminal.

Expendable Trust and Assency Fund: To account for monies held by the City of Norfolk as a trustee. The resources of this fund are received and subsequently expended in such functions as public works, parks and recreation and libraries.

Cemeteries Fund: To account for the operation of the City of Norfolk cemeteries.

Emergency Operations Center/911 Fund: To account for the operation of the City of Norfolk emergency operations center/911,

Golf Fund: To account for the operation of the City of Norfolk's golf courses.

Land Acquisition Fund: To provide resources to assemble land that is in the public interest.

Public Amenities Fund: To promote cultural and entertainment activity in the downtown area.



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#### CITY OF NORFOLK, VIRGINIA Combining Balance Sheet - Nonmajor Governmental Funds June 30, 2006

	-		_	_			Speci	of Revenue Fo	mb.		_		_	
ANDERS	_	Storm Wilder	_	Towing	_	Grants		omnunity malignment	٥	indica.		Facility	_	enetry
Cash and cash equivalents		470,765		584,746		14,404,144		124.164		306.472		692.714	¥.	132,412
Investments												-		-
Expendition, net		405,676		7.615		1,009,427		786.504		250,190				130.044
Deposits contractors						3.00H						- 0		130,044
Due from other funds		104,548				463.541		- 0						1,525
Due from component unit						325.600						- 0		
Excelvable from other governments												0		
Total assets	ī	3,471,611	1	192,361	1	10,890,340	1	912,766	1	996,662	1	592,114	I	272,122
MAIN, THE R														
Vouchers/Accounts payable		30,366		11,000		1.525.497		78.700		49.060		3,292		52,868
Contract retainant						323.817		-		-		3,290		50,808
Account payoff		56.659		2.852		65,504		4.655		45.045		3,539		
Ove to other funds		12.218		1,540		2 195 507		1,000		445,113		960		9.072
Due to other primary government						2,130,100		1,000		410,110		560		1,012
component units				12		352.662				100				
Due to other governments						355.021		54.210		- 12				
Deformed revenue		211.821						772.118						
Other Sabilities				88.420										118.475
Tetalitations	=	316,514	Ξ	110,166	=	4,819,118		912,768	=	516,215	=	7,361	=	180,400
UND BALANCES														
financed for														
Engymerances		193 343		73,102		10.730.661		1,296.378		51,912		365		87,064
Perpetural cure		-										- 7		
Capital projects		04.041				5 6								
Investor														
Undergraded		975.834		400.074		1.345.575		(1,296,378)		03.4tm		684.478		4,652
Total fund balances	_	1.154.617	-	482.172	-	12:077.267	-	Dancord	_	18.444	_	684 730	-	\$1,716
ond Rabilities and fund balances	-	1.471.011		992,361		15.895.385		972.766	-	100.002	1	690,114		272,122

#### CITY OF NORFOLK, VIRGINIA ning Balance Sheet - Nonmajor Governmental Funds

15 60/76 273.91 - 138.01 138.0

					- 1	estal 1	terene fo	nth					Table		Funds	Southwest							
	Cult Fund		Public		and section		100/ 100/	_	Tex	Expenditive Toyal			Special Special		Expendable but								Funds
	791,962		308.343		715,760		262.761		410.105		10.387	,	31,343,138		6,014,643		37,267,781						
۰	13 Cast																						
			HET MET				677,736						4,894,890		30,685		4,525,598						
	-												3,064				3,064						
	- 0		253,762				- 5		- 6				662,967				842,997						
	-		250,000				- 10						304,689				326,689						
	0														12								
1	731,993	1	4,000,686	11	755,503	1	100,537	1	450,185	1	10,367	5	17,550,800	1	6,545,356	ī	43,396,139						
,	1980		65.904	,			m.000	,		7			1,919,365				1,919,307						
,			65,504				-						303.617		10.7		303,817						
							BLASS						209,147				269,140						
	-		20,000				19,267		12.1		10,000		2,721,396		1,826		2,722.98						
									100				310,640				312,66						
	0				- 0								411,254				411,25						
					- 81		-						983,500				963,93						
									-		367		207,240				207,78						
_	13.617	-	85.924	_	-	-	194,240	-		_	10.387	-	7,100,041	-	1,625		7,199,46						

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## City of Norfolk, Virginia

								_								_		_	Entert-2	
				_				,	pariet Ferrence		nda .				Tetal	_	Parmeter Parmit		Total Spannight	
,	enetro		Gel Foot		Pate America		Land		600/ 811		Tax Northe	_	Trust		Special Special	_	Equivation Test		Generalised Funds	
			-		100						1,100,400				CHICAGO			1	5,790,498	
•		•			5.004,305				4214319						9.379.394				9,379,394	
			120,101				400				1,290		4.103		461(513		210,861		\$54,754	
	1241.000		1201.174		100				1.407						16,756,521		158,369		15,894,524	
	4		1,556				2796.300		1,012,189						15,600,377				15,683,310	
															HAMENO				14,040,010	
									95,406						17,000,400				17,860,466	
_	1,341,308	-	1,675,911	-	1.014.301	-	t Me No	-	5.360.600	-	1,163,761	-	4,592	-	1434040		366,710		Fe, Fr 8, 800	
_	-	_	-	-										_						
			100										41.907		KURSER		19		3,007,607	
			- 0												908,346				900,340	
	- 0		- 0		- 2		- 0		5.624.971						11,804,588				11,804,386	
									-						12,860,168				12,042,180	
					- 2		- 9								25,600,867				25,868,867	
	1,010,700		1,000,007		821.623										10,161,490				10,101,49	
															7,041,427				1,080,425	
											F16,186				705,186	١.			731,16	
Ξ	1,810,780		1,406,187	ï	40140	Ξ	_		5,634,971	-	756,166	=	41,96		70 Min 756		-		7(188.7)	
	20.00		66,534		440,90	_	2.794,736		1460,473)		68.65		pue	١.	Other	١.	368,710		1,0,16	
	710.197		20.524				1,400,000	į	801,780						16,200,770				9,28,7	
			and a		APPLIES		(1,000,000		-		-		18.727	n .	gn.98n.811	٩.	045,840		(1),7M,H	
	P10.191		Hair		217.55	Ξ	476,000	Ċ	\$61,703				.18.50		3,774,46	Ε.	(95.56	ı.	1924.0	
	91,71		+12+4		112,442		5,164,750		440,792		458,000		(40.96	'n	4,000,00	r	84,10	t	5,052.4	
	-		400.120		140.00		1,910,011	į.	1,295,905		16	Ü.	40,00		25,173.01		1971)8		John	
																			M.011	

### of Revenues, Expenditures, and Chu Honmajor Governmental Funds For the Year Ended June 30, 2006

				Special Browner Funds		
	Store Water	- Terry	ovn	Community	Nation	Nation Facility
REVENUES						
General properly terms					1	
	10.516	25.673	10% Jed			
Use of money and properly	10,516 1105,716	1,451,435	2004		1001.00	745.004
Charges for services						
Minoriamenus	94,001	81,614	10,490,710	1,054,000	167,610	
interpretational						
Commonwealth of Virginia			54,262,860			
Federal government			10,214,014	11420	343,844	
Total revenue	7,000,007	1374.112	20,410,700	10,007,601	2,100,040	740,054
Distriction						
General unanness administration			3.195.01	45.245		
Autoid advisoration			906.34			
Detti wito:			5.005.61			
Datic serve	5.467.607	Leve her	6.704.50		- 2	- 2
Front and public economies		-	TERROR	14979		
Cultural and recreational		- 2	2.136.79		1477.014	340.324
Meanworks		- 2		100.07		
Cutt Sentre						
Power						
Interest and other changes						
Teleforethree	5,007,607	1,410,746	45,476,77	15,007,815	140-44	319.85
Excess (Ministrace) of revenue						
over expenditures	3,373,796	194,366	- MANAS		2,86,86	6078
OTHER PROPERTY SOURCES (USES)						
Tomates in			10.387.29		1,000,000	200.000
Topoton out	11,791,015		0031837			
Table after francing sources and uses	p. rar ave		5,467 Pc		1,600,000	20,00
Not allarge in land belonces	475,100	194,988	(600,700		(vectors)	864700
Fund belances-beginning	679,290	MILMO	12,885,56		678,509	
Fund belances-enging	\$ 1,15e,417	\$ 440.470	8 10,877.36	1 .		\$ 694.733

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#### Agency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds:

Agency Fund - Other - to account for other monies held for private organizations and other funds.

Agency Fund - Commonwealth of Virginia - to account for monies on deposit with the City Treasurer held for the Treasurer of the Commonwealth of Virginia.



#### Combining Balance Sheet - Agency Funds June 30, 2006

		Other		orrwealth of rginia	_	Totals
ASSETS Cash and cash equivalents Receivables:	5	3,747,070	\$	596	\$	3,747,666
Accounts, net of allowance for uncellectible accounts Total assets	1	86,664 3,833,734	5	596	5	85,664 3,834,330
LIABILITIES Vouchers payable Other liabilities	\$	56,398 3,777,336	5	596	3	56,398 3,777,932
Total liabilities	8	3,833,734	5	596	5	3,834,330

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#### **Internal Service Funds**

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The individual internal service funds are:

Storehouse Fund - to acquire and issue to the operating departments materials, ports, and supplies which are used in the same form as purchased

Flect Management Fund – to provide the operating departments with maintenance, repair and service for the City fleet of vehicles, beavy equipment and miscellaneous machinery

#### on the state of th

#### Combining Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2006

				0	ther			
		Balance						Balance
ASSETS		uly, 1,2005	_	Additions		Deductions	Ju	ne, 30,2006
Cash and cash equivalents	\$	5,917,570	\$	4,355,828	5	6,526,328	8	3,747,070
Accounts receivable		38,462		83,569		35,367		86,664
Total assets	5	5,956,032	2	4,439,397	\$	6,561,695	\$	3,833,734
LIABILITIES								
Vouchers payable	\$	342,849	\$	3,247,396	5	3,533,847	5	56.356
Other liabilities		5,613,183		4,319,568		6.155.415		3.777.330
Total liabilities	\$	5,956,032	\$	7,566,964	\$	9,689,262	\$	3,633,734
	-			Commonwe	alth of	Mantala		
		Balance		Commissione	aio1 01	virginia	-	Balance
	J	uly, 1,2005		Additions		Deductions	Ju	ne. 30.2006
ASSETS							_	
Cash and cash equivalents	8	31,917	\$	15,379,438	8	15,410,759	5	590
Total assets	5	31,917	5	15,379,438	\$	15,410,759	5	596
LIABILITIES								
Other liabilities	5	31,917	8	15,379,438	5	15,410,759	3	594
Total liabilities	3	31,917	\$	15,379,438	5	15,410,759	\$	590
	_			Y	ntal		_	
		Balance	_		COM		_	Balance
	- 3	uly, 1,2005		Additions		Deductions	Ju	ne, 30,2006
ASSETS						21.937.087	4	3,747,666
Cash and cash equivalents	5	5,949,487	5	19,735,266	\$			
Cash and cash equivalents Accounts receivable		38,462		83,569		35,367		
Cash and cash equivalents	5		3		\$		\$	86,664
Cash and cash equivalents Accounts receivable Total assets LIABILITIES		38,462		83,569		35,367		86,664
Cash and cash equivalents Accounts receivable Total assets LIABILITIES Vouchers payable		38,462		83,569		35,367		86,664 3,834,330
Cash and cash equivalents Accounts receivable Total assets LIABILITIES	3	38,462 5,987,949	3	83,569 19,818,835	\$	35,367 21,972,454	\$	3,834,330

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#### CITY OF NORFOLK, VIRGINIA Combining Statement of Net Assets - Internal Service Funds June 30, 2006

#### Exhibit H-1

distance of		lorehouse		Fleet lanagement		Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$	222,292		3,154,266	5	3,376,558
Receivables, net		1,539		422,900		424,439
Due from other funds		37,795				37,795
Inventories		1,722,033	_	432,452	_	2,154,485
Total current assets	_	1,983,659	_	4,009,618	_	5,993,277
Noncurrent assets:						
Capital assets:						
Land				415,000		415,000
Buildings and equipment, net	_	24,897	_	5,704,448	_	5,729,345
Total noncurrent assets	_	24,897	_	6,119,448	_	6,144,345
Total assets		2,008,556	_	10,129,066		12,137,622
LIABILITIES						
Current liabilities:						
Vouchers/accounts payable		432,165		570,475		1,008,640
Due to other funds		2,741		17,039		19,780
Compensated absences		25,589		188,853		214,442
Accrued payroll		7,622		56,884		64,506
Obligations for Employees Retirement System		48,964		339,664		369,628
Total current liabilities		517,081		1,178,915		1,695,996
Noncurrent fabilities:						
Compensaled absences		6,398		74.228		80.626
Other long-term liabilities				12,646		12,646
Total noncurrent liabilities		6.398		86.874		93.272
Total liabilities		523,479		1,265,789		1,789,268
NET ASSETS						
Invested in capital assets, net						
of related dobt		24,897		6,106,802		6,131,699
Unrestricted		1,460,180		2.750.475		4.216.655
Total net assets	5	1,485,077	1	8.863.277		10.348.354

Exhibit H-2

CITY OF NORFOLK, VIRGINIA Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds For the Year Ended June 30, 2006

	S	torehouse	М	Fleet anagement		Total
Operating revenue: Charges for services Miscellaneous	\$	3,502,135	\$	9,762,335 74,173	\$	13,264,470 74,173
Total operating revenue	=	3,502,135		9,836,508	=	13,338,643
Operating expenses:						
Personal services		394,183		2,665,901		3,060,084
Cost of goods sold		2,836,842		5,682,555		8,519,397
Plant operations		9,604		262,330		271,934
Decreciation		2,568		278,727		281,295
Retirement contribution		48,964		339,664		388,628
Bad debt expense				19,358		19,358
Other		36,364		816,717		853,081
Total operating expenses	_	3 328 525	-	10,065,252	-	13,393,777
Operating income (loss)	_	173.610	-	(228,744)		(55,134
Nonoperating revenue (expenses):	_					
Interest and investment revenue (expense)		4,122		70,870		74,992
Gain/(loss) on disposal of fixed assets				8,065		8,065
Total nonoperating revenue (expenses)	-	4,122		78,935	=	83,057
Net income (loss) before		177,732		(149,809)	_	27,92
Other Financing Sources Transfers in (out)			_	825,000	_	825,000
Change in net assets		177,732		675,191		852,923
Net assetsbeginning		1,307,345		8,188,086		9,495,43
Net assets-ending	- 5	1,485,077	- 1	8,863,277	\$	10,348,35

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

# CITY OF NORFOLK, VIRGINIA Exhibit H-3 Combining Statement of Cash Flows - Internal Service Funds For the Year Ended June 30, 2006

			ä	Fleet		Total
	- 5	orehouse	M	anagement	_	Total
CASH FLOWS FROM OPERATING ACTIVITIES Receipts from customers		3 501 333	5	9.524.850		13,026,183
		(2.512.042)		(6,512,754)		(9,024,796)
Payments to suppliers		(443,309)		(2,976,349)		(3.419.658)
Payments to employees		(443,309)		385		385
Payment on notes payable		(370,034)		52.167		(317.867)
Other receipts (payments)	_	175.948	_	88,299	_	264,247
Net cash provided by operating activities	_	1/0,040	-	91,217	_	297,277
CASH FLOWS FROM NONCAPITAL						
FINANCING ACTIVITIES						
Internal activity		(35,054)	_	825,000		789,946
CASH FLOWS FROM CAPITAL AND						
RELATED FINANCING ACTIVITIES						
Proces on sale of capital assets				8,065		8,065
Acquisition of property, plant and equipment				(15,027)		(15,027)
Principal paid on capital debt				12,635		12,635
Net cash used by capital and					_	
related financing activities	_		_	5,673	_	5,673
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends		4,122		70,870	_	74,992
Net cash provided by investing activities		4,122	-	70,870	_	74,992
Net increase in cash and cash equivalents		145,016		989,842		1,134,858
Cash and cash equivalents - beginning of the year	-	77,276	_	2,164,424	_	2,241,700
Cash and cash equivalents - end of the year	5	222,292	5	3,154,266		3,376,558
Reconciliation of Operating Income to Net Cash	-					
Provided (Used) by Operating Activities						
Operating income		173,610		(228,744)	3	(55,134
Adjustments to reconcile operating income to net cash						
provided (used) by operating activities:						
Depreciation expense		2,568		266,092		268,660
Change in assets and liabilities:				1000000000		10000000
Receivables, net		(802)		(218,127)		(218,921
Other assets/prepaid expenses						
Inventories		(370,034)		(22,003)		(392,037
Accounts/vouchers payables		370,768		274,115		644,883
Obligation for Employees' Retirement System		(4,926)		7,824		2,09
Accrued payroll		(453)		2,607		2,15
Compensated absences		5,217		6,150		11,36
Other liabilities	_		-	365	-	264.24
Net cash provided by operating activities	1	175,948	- 5	88,299	5	264,24

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### CITY OF NORFOLK, VIRGINIA Schedule of Federal Expenditures

ε	•	N	ь	k	ı

Federal Granting Agency/Recipient Recipient State Agency/Grant program	CFDA Number	Federal Expenditures
December of the decimal of the decim		
Department of Agriculture: Direct Payments:		
USDA Summer Food Service Program (SFSP)	10.559	\$ 242.016
	10.561	3,439,894
Food Stamp Program - Administration	19.961	2,439,694
Pass-through Payments:		
State Department of Agriculture:		
National School Breakfast Program	10.553	2,193,086
National School Lunch Program	10.555	7,308,407
National School Lunch Program (Commodities)	10.556	940,654
USDA Food Service Program	10.559	(67,103)
Department of Housing and Urban Development:		
Direct Payments:		
Community Development Block Grant	14.218	7,112,285
CHDA Operating	14.231	62,614
Ecumenical Family Services	14.231	26,405
ESG Administration	14.231	11,799
For Kids, Inc. Haven Family Services	14.231	24,702
NRHA Administration	14.231	189 000
Salvation Army	14.231	49.566
St Columbia	14.231	35,629
YWCA Shelter Program	14.231	43,192
	14.231	23,363
Planning Council	14.239	139,511
American Dream Downpayment Initiative	14.239	1.182.188
Home Loan Program		
Home Investment Partnership	14.239	1,626,914
BEDI	14.246	2,000,000
Pass-Through Payments:		
Shelter Plus Care Program	14.239	25,993
Department of Justice;		
Direct Payments.  Community Oriented Policing Services:		
Commonly Change Policing Services.		
Juvenile Accountability Incentive	16.523	13,551
Alternatives to Detention	16.579	(92)
Universal Hiring Program	16.592	452,221
Bulletproof Vests Grant	16.607	1,950
Asset Forfeiture - Special Police Grant	16.700	112,824
COPS in Schools	16.710	202,689
Pass-Through Payments:		
Department of Criminal Justice Services:		
Auvenile Accountability Incentive	16,523	53,011
VSTOP Prosecutorial Project	16.540	84,207
Adult Drug Court	16,579	167,254
Attematives to Detention	16.579	8,331
	16.609	222.520
Safe Neighborhood Grant	16,609	222,525
Department of Labor:		
Pass-Through Payments: Local Partnership Grant	17.261	76
Direct Payments:		
Selective Enforcement	20.600	3,52
Pass-Through Payments:		
Pass-Through Payments: IV E. Human Resources Programs	20.511 N/A	(933,85)

CITY OF NORFOLK, VIRGINIA			Exhibit
Schedule of Federal Expenditures For the Period Ended June 30, 200			
	CFDA		Federal
Federal Granting Agency/Recipient Recipient State Agency/Grant program	Number	Ex	penditures
Department of Homeland Security			
Direct Payments:	97.004	*	79.105
VA State Homeland Security	97.004		385.784
Disaster Relief	97,044		172,343
FEMA - Assistance to Firefighters	87,500		112,040
Anti-Terrorism Pass-Through Payments:			
VA State Homeland Security	97.004		913,782
FEMA - Flood Mitigation	97.029		363,384
Disaster Grants - Public Assistance	97.036		95,420
Buffer Zone	97.078		35,812
Department of Education:			
Direct Payments:	84.010		696,089
Department of Defense School Assistance in Federally Affected Areas	84.041		4,568,823
Pass-Through Payments:			
Department of Education:			
Education Consolidation and Improvement Act of 1981: Adult Education	84.002		389,727
Adult Education Advanced Placement	84.330		8,788
Advanced Placement Title I.			
Educationally Deprived Children-			
Programs Operated by LEA's	84,010		13,696,311
Comprehensive School Reform Demonstration Progra	84.332		74,659
CSR Phase II	84.332		358,501
School Improvement Grant	84.363		99,996
Chapter It	84.213		391,108
Evenslart Program	04719		201,100
Title Vf: Negligent Delinquent Children	84.010		197,764
Elementary and Secondary Education Act (ESEA):			
Title VI-B:			
Assistance to States for Education of Handicapped			
Children:			
Assistive Technology Grant	84.027		225,710 67.361
Silver Grant	84.027		6,441,308
Special Education Flow Yhru (Federal)	84,173		238,169
Handicapped Preschool Incentive Grant	84.173		200,000
Title IV-B:			
Vocational Education: Consumer and Homemaking	84,048		1,000,131
Sub Teach Linkage	84,048		1,306
Special Projects:			
Orug Free Act	84,186		281,369
ESEA, Chapter II	84.298		211,123
McKinney Homeless Assistance	84,190		12,424
Smaller Learning Community	84.215		50,216
Emergency Crisis Management	84.276		558.717
Enhanced Reading Opportunities	84.287		83.300
Comm Central	84.287		42,412
Comm Central Phase II Growing American History	84.298		72,599
Educate Teachers	84.311		3,993
Region Tech Year 1	84,318		862,156
Inspirative Teacher Recruitment	64.336		1,812
Gear Up Access Virginia	84.33		1,646
Gear Up High School	64.33		160,833
Teacher Quality Enhancement	84.33		2,172
Reading Excellence	84.33		548,626
Reading First	84.35		62,137
Limited English	84,36		3.092,483
Teacher & Principal Training Emergency Aid Impact	84.93		23,059
Freedomen's son subsets	67		

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#### CITY OF NORFOLK, VIRGINIA NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2006

#### 1. General:

The second section of the City. The City of Norfolk single audit reporting entity includes the primary government and the School Board component unit, and excludes the component units of the Norfolk Redevelopment and Housing Authority and the Community Services Board.

Federal awards not received through direct programs are passed through the departments and agencies of the Commonwealth of Virginia.

#### 2. Basis of Accounting:

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred or measurable. The related revenue is reported net of unexpended amounts returned to grantors.

#### Relationship to the Basic Financial Statements: Federal award revenue is reported in the City's basic financial statements as follows:

Governmental fund	\$ 26,855,307 2,000,000
Capital Projects fund	17.866,469
Non-governmental funds	46,721,776
Total revenues from federal government	40,721,770
Component Unit - School Board	45,249,181
Total federal financial assistance reported in	2 01 020 042
basic financial statements	\$ 91,970,957
Reconciliation to Exhibit A-3	a lucesteed
Revenues from federal government	\$ 44,721,776
BEDI grant funds	2,000,000
Total revenues from federal government	46,721,776
Revenues from Commonwealth of Virginia	105,034,885
Revenues from Commonwealth or Ampione	\$ 149.756.661

#### 4. Relationship to Federal Financial Reports:

Amounts reported in the accompanying schedule agree substantially with the amounts reported in the foteral financial reports except that certain federal financial reports are prepared on the cash basis of accounting and the schedule of expenditures of federal awards is prepared on the basis of accounting described in Note 2 above. CITY OF NORFOLK, VIRGINIA Schedule of Federal Expenditures For the Period Ended June 30, 2006

Recipient State Agency/Grant program	Number	Expenditures
Department of the Navy:		
Direct Payments:		
LIER Winnessie Grant	12.700	\$ 343,844
Pass-Through Payments:		
NJROTC	N/A	258,543
Department of Health and Human Services:		
Direct Payments:		
HIVIAIOS Grant	93.914	4,591,305
NIC Pool Funds	NIA	136,693
Pass-Through Payments:		
Youth & Family Services Grant	93,556	219,427
Temporary Assistance to Needy Families	93.558	3,526,597
Refugee and Entrant Assistance State Administered Prog	93.566	3,390
Local-Income Home Energy Assistance	93.568	166,626
Payments to States for Child Care Assistance	93,575	3,779,725
Child Development Care	93.596	4,003,884
Independent Living Program - Education and Training	93,599	12,298
Adoption Incentive Program	93.603	250
Foster Care - Title IV - E	93,658	3,898,262
Adoptive Assistance	93.659	770,192
Social Services Block Grant	93.667	2,840,517
Independent Living Initiative Program	93.674	36,923
FAMIS Outreach Grants	93.767	7,995
Medical Assistance Program - Administrative	93.778	2,904,413
Americorps	94,006	2,217
Fraud Free Program	N/A	144,064
Other Federal Assistance:		
CERT	N/A	19,189
LCAR	N/A	
FSET	NA	15,675
Sheriff Social Security	N/A	11,800
Totals		\$ 91,970,957

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#### SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -

~Special Revenue Funds~

~Internal Service Funds~

~Capital Projects Fund~



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Exhibit J-1

# CITY OF NORFOLK, VA Schedule of Revenues and Expenditures - Budget and Actual Towing Recovery Operation For the Year Ended June 30, 2006

	Budget	Actual	(0	Positive negative) /ariance
Revenues: Use of money and property Charges for services Other	\$ 1,200,000 206,000	\$ 25,623 1,463,835 84,654	\$	25,623 263,835 (121,346)
Total revenue	\$ 1,406,000	\$ 1,574,112	\$	168,112
Expenditures: Towing recovery	\$ 1,406,000	\$ 1,419,746	\$	(13,746)

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Exhibit J-1

# CTTY OF NORFOLK, VA Schedule of Revenues and Expenditures - Budget and Actual Nauticus For the Year Ended June 30, 2006

	Budget	Actual	(1	Positive negative) /ariance
Revenues: Charges for services Transfer in Other	\$ 2,236,300 1,500,000	\$ 1,665,486 1,500,000 501,463	\$	(570,814) 501,463
Total revenue	\$ 3,736,300	\$ 3,666,949	\$	(69,351)
Expenditures: Operations	\$ 3,736,300	\$ 3,827,014	5	(90,714)

# CITY OF NORFOLK, VA Schedule of Revenues and Expenditures - Budget and Actual Storm Water Utility Fund For the Year Ended June 30, 2006

		Budget		Actual	(1	Positive negative) /arlance
Revenues: Use of money and property Charges for services Other	\$	20,000 7,373,000	\$	10,516 7,225,770 94,321	\$	(9,484) (147,230) 94,321
Total revenue	\$	7,393,000	\$	7,330,607	\$	(62,393)
Expenditures: Storm water Transfer out Debt Service	\$	5,371,200 2,021,800	s	5,057,857 1,797,615	\$	313,343 224,185
Total expenditures	\$	7,393,000	S	6,855,472	\$	537,528

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## CITY OF NORFOLK, VA

Exhibit J-1

Exhibit J-1

# Schedule of Revenues and Expenditures - Budget and Actual Maritime Facility For the Year Ended June 30, 2006

	Budget	Actual	regative)
Revenues: Charges for services Transfer in	\$ 775,000 250,000	\$ 745,054 250,000	\$ (29,946)
Total revenue	\$ 1,025,000	\$ 995,054	\$ (29,946)
Expenditures: Operations	\$ 1,025,000	\$ 310,321	\$ 714,679

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Exhibit J-1

CITY OF NORFOLK, VA Schedule of Revenues and Expenditures - Budget and Actual Golf Fund For the Year Ended June 30, 2006

	Budget		Actual	(1	Positive negative) /ariance
Revenues: Charges for services Transfer in Other	\$ 1,575,000	s	1,351,174 20,524 121,737	\$	(223,826) 20,524 121,737
Total revenue	\$ 1,575,000	\$	1,493,435	\$	(81,565)
Expenditures: Operations	\$ 1,575,000	\$	1,406,187	s	(168,813)

Exhibit J-1

Exhibit J-1

# CTTY OF NORFOLK, VA Schedule of Revenues and Expenditures - Budget and Actual Emergency Operations Fund For the Year Ended June 30, 2006

		Budget		Actual	(n	Positive egative) fariance
Revenues: Taxes Fees Recovered cost Other Operating transfers in	\$	4,150,114 500 776,978 80,443 951,765	5	4,214,919 1,467 1,052,186 95,426 951,765	\$	64,805 967 275,208 14,983
Total revenue	\$	5,959,800	\$	6,315,763	\$	355,963
Expenditures: Operations	s	5,959,800	5	5,824,971	\$	134,829

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CITY OF NORFOLK, VA Schedule of Revenues and Expenditures - Budget and Actual Cemeteries Fund For the Year Ended June 30, 2006

Budget Actual (negative)
Variance \$ 1,669,400 \$ 1,241,308 \$ (428,092) 404,600 710,197 305,597 \$ 2,074,000 \$ 1,951,505 \$ (122,495) \$ 2,074,000 \$ 1,859,789 \$ 214,211 CITY OF NORFOLK, VA Schedule of Revenues and Expenditures - Budget and Actual Public Amenities Fund For the Year Ended June 30, 2006

Positive (negative)
Budget Actual Variance 
 Revenues:
 Taxes-Hotel & Restaurant
 \$ 5,061,900
 \$ 5,064,365
 \$ (17,535)

 Total revenue
 \$ 5,081,900
 \$ 5,084,385
 \$ (17,535)

 Expenditures:
 \$ 4,250,000
 \$ 4,270,000
 \$ (20,000)

 Transfer to CIP Fund
 \$ 600,000
 \$ 621,423
 (21,423)

 Challenge Grants
 \$ 231,900
 \$ 21,423
 231,900

 Public Amenites
 \$ 5,081,600
 \$ 4,891,423
 \$ 190,477

#### Schedule of Revenues and Expenditures - Budget and Actual Fleet Internal Service Fund For the Year Ended June 30, 2006

	-	Budget		Actual	(n	Positive negative) /ariance
Revenues: Use of money and property Charges for services	s	40,000 9,116,100 825,000		70,870 9,844,573 825,000	\$	30,870 728,473
Transfer in Total revenue	\$	9,981,100	\$	10,740,443	\$	759,343
Expenditures:	s	9,981,100	5	10,065,252	s	(84,152

#### Schedule of Revenues and Expenditures - Budget and Actual Storehouse Internal Service Fund For the Year Ended June 30, 2006

19	 Budget	Actual *	(n	ositive egative) ariance
Revenues: Charges for services	\$ 567,100	\$ 610,053	\$	42,953
Expenditures: Storehouse	\$ 567,100	\$ 491,682	\$	75,418

\*The difference in revenue and expenditures per this schedule compared to Exhibit H-2 represents cost of goods sold which is not included in the operating budget.

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	Service Country	or services.			
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	Project person		6794081	6416371	0.565,660
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term City Sentention	644446	19160	1000	1.00007	1,140,179
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#### APPENDIX B

FORM OF LEGAL OPINION OF BOND COUNSEL.

#### FORM OF OPINION OF BOND COUNSEL

City of Norfolk, Virginia Norfolk, Virginia

## 532,365,000 General Obligation Variable Rate Demand Bonds, Series 2007 (AMT)

Ladies and Gentlemen:

We have served as Bond Counsel to the City of Norfolk, Virginia (the "City") in connection with the issuance of its General Obligation Variable Rate Demand Bonds, Series 2007 (AMT) (the "Bonds"). The Bonds have been issued parasant to the terms of an Indenture of Trust dated as of March 1, 2007 (the "Indenture"), between the City and Regions Bank, as bond trustee (the "Trustee") and Ordinance No. 42.955 adopted by the Council of the City on February 27, 2007. Unless otherwise defined, each capitalized term used in this opinion letter shall have the meaning given it in the Indenture.

We have examined the Constitution of Virginia and the applicable laws of the Commonwealth of Virginia and the United States and such certified proceedings and other documents of the City as we deem necessary to render this opinion. As to questions of fact material to this opinion, we have relied upon the certified proceedings and other criticalities of public officials furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, we are of the opinion that, under current law:

- The City is a political subdivision of the Commonwealth of Virginia.
- The City has the requisite authority and power to issue the Bonds and to enter into and perform its obligations under the Indenture and to apply the proceeds from the issuance of the Bonds as contemplated by the Indenture.
- The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth of Virginia and constitute valid and binding general obligations of the City.
- 4. The Council of the City has power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, leviced and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when the the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not tawfully available and appropriated for such purpose.

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Mayor and Council of the City of Norfolk, Virginia 2007 Page 2

- The Indenture has been duly authorized, executed and delivered by the City and, subject to paragraph 6 below, constitutes valid and binding agreements of the City, enforceable against the City in accordance with its terms.
- 6. The enforceability of the obligations of the parties under the Bonds and the Indenture is subject to the provisions of applicable bankruptey, insolvency, reorganization, moratorium and similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights. The enforceability of such obligations is also subject to usual equitable principles, which may limit the specific enforcement of certain remedies but which do not affect the validity of such documents. Certain indemnity provisions may be unenforceable pursuant to court decisions invalidating such indemnity agreements on grounds of public policy.
- 7. Interest on the Bonds, including any accrued "original issue discount" properly allocable to the holders of the Bonds, is excludable from gross income for federal income tax purposes, except during any period during which a Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). The "original issue discount" on any Bond is the excess of its stated redemption price at maturity over the initial officing price to the public at which price a substantial amount of the Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.
- express no opinion regarding other featura tax consequences arraing win respect to me coursa.

  In providing the opinions set forth in this paragraph, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in othe Bonds to the Bonds in other data of the Bonds in other proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebute certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The City's comply with its Covenants ould cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the way that the covenants of the work of the Bonds of the Bon
- We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.
- Under the Code, corporations and individuals may be subject to an alternative num tax with respect to interest on the Bonds. Interest on the Bonds, including any accrued

Mayor and Council of the City of Norfolk, Virginia , 2007 Page 3

"original issue discount" property allocable to the holders of the Bonds, is a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The interest on the Bonds is exempt from income taxation by the Commonwealth of Virginia and any of its political subdivisions.

Our services as Bond Counsel to the City have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and tax-exempt status of the interest on them and the enforceability of the Indenture. The foregoing opinions are in no respect an opinion as to the business or financial resources of the City or the ability of the City provide for the psynemic of the Bonds or the accuracy or completeness of any information, including the City's Official Statement dated March 22, 2007, that anyone may have relied upon in making the decision to purchase the Bonds.

Very truly yours,

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APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

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#### [FORM OF CONTINUING DISCLOSURE AGREEMENT]

#### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the City of Noefolk, Virginia (the "City"), in connection with the issuance by the City of \$33,265,000 original aggregate principal amount of its General Obligation Variable Rate Demand Bonds, Series 2007 (Antl) (the "Bond"), pursuant to a bond ordinance adopted by the Council of the City on February 27, 2007 (the "Ordinance") and an Indenture of Trust dated as of "Trustee"). The proceeds of the Bonds are being used by the City, along with other available funds, (a) to finance the acquisition, construction, and ecuipping of an approximately 80,000 square foot cruitse ship center, which will include dooking areas and meeting space and (b) to pay the issuance costs of the Bonds. Pursuant to the Ordinance, the City approved the offering and sale of the Bonds to the public pursuant to an Official Statement relating to the Bonds, dated March 22, 2007 (the "Final Official Statement").

Upon the issuance of the Bonds, the City shall not be subject to the Rule with respect to these Bonds; however, this Disclosure Agreement shall become effective upon the Conversion (as defined under the Indenture) of the interest rate of the Bonds to a Fixed Rate (as defined under the Indenture and the City's obligations under Section 3 hereof shall become effective with respect to the Fiscal Year in which the Bonds are converted to a Fixed Rate.

The City has determined that it constitutes an "obligated person" within the mea the Rule (as hereinafter defined) with respect to the Bonds and, accordingly, hereby rep covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement; Representation. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders (as defined below) and in order to assist the Participating Underwriters (as defined below) in complying with Re Rule (as defined below). The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

Section 2. <u>Definitions</u>. In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year of the City means the

(i) the financial statements (consisting of at least a statement of net assets, a statement of cash flows and a statement of revenues, expenses and changes in fund net assets for all governmental/enterprise funds) of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the City after the date of the Final Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia haw); and (B) are

- (b) The City shall, in accordance with the Rule, Make Public or cat Made Public by the Dissemination Agent (if different from the City), the Annual Information within 30 days after it is prepared.
- (c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), in a timely manner, notice of any of the following events that may from time to time occur with respect to the Bonds, but with respect to the tents in (i) through (xi), only if material:
  - (i) principal and interest payment delinque
  - (ii) non-payment related defaults;
  - (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (iv) unscheduled draws on any credit enhancement maintained with respect to the Bonds reflecting financial difficulties;
  - (v) substitution of credit or liquidity providers, or their failure to perform;
  - adverse tax opinions or events affecting the tax-exempt status of interest on the Bonds;
  - (vii) modifications to rights of Holders;
  - (viii) bond calls;
  - (ix) defeasances;
  - (x) release, substitution, or sale of property securing repayment of the Bonds;
  - (xi) rating changes; and
  - (xii) the failure of the City on or before the date required by this Disclosure Agreement to provide Annual Financial Information to the persons and in the manner required by this Disclosure Agreement;

provided that nothing in this subsection (c) shall require the City to maintain any dobt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(d) The City shall notify each NRMSIR (as defined below) of any change in its Fiscal Year not later than the date on which it first provides any information to the NRMSIRs in the current Fiscal Year.

Section 4. <u>Information Made Public</u>, Information shall be deemed to have been as herein required:

as herein required:

audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and

(ii) updates of the operating data contained in the sections in the Final Official Statement "Table II-3, Key Debt Trends," "Table II-6, Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita, "Table III-3, Assessed Valuations and Estimated Actual Values of Taxable Property, "Table III-5, Tax Rates and Equalization Factors," "Table III-5, Comparative Statement of Revenue and Expenditures, General Fund."

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the City and results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a owner or beneficial owner of an Obligation.

"Make Public" or "Made Public" has the meaning set forth in Section 4 of this Disclosure Agreemer

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NRMSIR" shall mean each nationally recognized municipal securities information repository approved as such by the SEC from time to time.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds ed to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" shall mean the U.S. Securities and Exchange Commission.

"SID" shall mean any state-based information depository existing from time to time in the Commonwealth of Virginia for the purpose of receiving information concerning municipal securities and recognized as such by the SEC.

Section 3. Obligations of the City. (a) The City shall complete the preparation of the Annual Financial Information with respect to any Fiscal Year of the City not later than 270 days after the end of such Fiscal Year.

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(i) each NRMSIR, at its then current address, including the following NRMSIRs existing as of the date hereof:

Bloomberg Municipal Repository 100 Business Park Drive Skillman, New Jersey 08558 Phones: (609) 279-3225 Fax: (609) 279-5962 http://www.bloomberg.com/mark Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.decdata.com

Standard & Poor's Securities Eval 55 Water Street, 45th Floor New York, New York 10041 Phone: (212) 438-4595 Fax: (212) 438-3975 was disclosured free from standard www.disclosuredirectory.standardsand Email: nrmsir\_repository@sandp.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; (800) 689-8466
Fax: (212) 771-7390
http://www.fid.com
Email: NRMSIR@interactivedata.com

(ii) at its then current address, the SID, if any; provided that in the case of information Made Public under Section 3(c), such information may be provided to the MSRB at following address (or such other address as may at the time be in effect), in lieu of providing it to NRMSRs at described in clause (c) above:

Municipal Securities Rulemaking Board 1900 Duke Street Suite 600 Alexandria, Virginia 22314 Phone: (703) 797-6600 Fax: (703) 797-6704

Section 5. Incorporation by Reference. Any or all of the Annual Financial Information may be incorporated by reference from other documents, including official statements containing information with respect to the City, which have been filed with each of

the NRMSIRs or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

- Section 6. <u>CUSIP Numbers</u>. The City shall reference, or cause the Dissemination Agent (if different from the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the NRMSIRs, the MSRB and/or the SID pursuant to Sections 3 and 4.
- Section 7. <u>Termination of Reporting Obligation</u>. The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeatance or final retirement of the Bonds.
- Section 8. <u>Dissemination Agent.</u> The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.
- Section 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities taws addressed to the City and to the Participating Underwriters for the Bonds to the effect that such amendment is permitted or required by the Rule.
- Section 10. Additional Information, Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other Information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(e), in addition to that which is required by this Disclosure Agreement. If the City chooses to report any information in any Annual Financial Information to that which is specifically required by this Disclosure Agreement, in the City that I have no obligation under this Disclosure Agreement, the City that I have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.
- Annual Financial Information or noise of occurrence of social artivota.

  Section 11. Default. Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under the Disclosure Agreement, or to comply herewith shall not be deemed as event of default under the Ordinance or other debt suthorization of the City, and the sole ternedy under this Disclosure Agreement, or to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remodies of any lidder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

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Date: March\_\_\_, 2007

CITY OF NORFOLK, VIRGINIA

By:
City Manager,
City of Norfolk, Virginia

By:
Director of Finance,
City of Norfolk, Virginia

Approved as to Form and Correctness:
Office of City Attorney
City of Norfolk, Virginia

[Signature Page to Continuing Disclosure Agreement]

Section 12. <u>Central Post Office</u>. Any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <a href="http://www.disclosureusa.org">http://www.disclosureusa.org</a> unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 13. <u>Beneficiaries</u>. This Discloure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and Holders from time to time of the City's Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts, This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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#### APPENDIX D

FORM OF THE INDENTURE

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"Authorized City Representative" means the City Manager, the Director of Finance or any person designated by either of them as an Authorized City Representative.

"Authorized Denominations" means, (1) with respect to any Series 2007 Bond bearing interest at a Variable Rate or a Medium Term Rate, \$100,000 or multiples of \$5,000 in excess thereof and (2) with respect to any Series 2007 Bond bearing interest at a Fixed Rate, \$5,000 or any integral multiple thereof.

\$5,000 or any integral multiple thereof.

"Available Moneys" means moneys which are continuously on deposit with the Trustee or the Paying Agent in trust for the benefit of the owners of the Bonds in a separate and segregated account in which only Available Moneys are held and which constitute (1) proceeds of the Bonds received contemporaneously with the issuance, editory and sale of the Bonds. (2) other moneys held in any fund created under this Indenture that has been continuously on deposit in trust with the Trustee or the Paying Agent for the benefit of the owners of the Bonds for a period of 123 consecutive days during and prior to which no petition in bankrugate under the U.S. Bankruptey Code has been filed by or against the City and no similar proceedings have been instituted under state insolvency or other laws affecting creditor's rights generally, (5) these for which the Trustee has received a written opinion of coursel nationally recognized in bankruptey matters and acceptable to the Trustee to the effect that payment of such moneys to the owners of the Bonds would not constitute an avoidable preference under the U.S. Bankruptey. Code or under applicable State law if the City were to become a debor under the U.S. Bankruptey Code or under applicable taste law, (4) a drawing under the Credit Facility, or (5) the investment of funds qualifying as Available Moneys under the foregoing clauses.

"Bank" means the provider of a Credit Facility or Liquidity Facility, as the case

"Bank Bond Purchase Account" means the account by that name established pursuant to Section 402 hereunder

"BMA Municipal Swap Index" means the "BMA Municipal Swap Index" meminated by Municipal Market Data, a Thomson Financial Service Company, or

"Bond Counsel" means any firm of nationally recognized municipal bond attorneys selected by the City and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for Federal income tax

"Bond Registrar" initially means Regions Bank and any subsequent Bond Registrar appointed to serve as Bond Registrar hereunder who shall also be the Paying Agent.

"Bonds" means the City's General Obligation Variable Rate Demand Bonds, Series 2007 (AMT).

"Business Day" means a day on which the Trustee, any Qualified Swap Provider, the Remarketing Agent, the Bank or banks or trust companies in New York, New York are not

#### INDENTURE OF TRUST

This Indenture of Trust is made as of March 1, 2007, between the City of Norfolk, Virginia, a political subdivision of the Commonwealth of Virginia (the "City"), and Regions Bank, an Alabama banking corporation, as trustee (the "Trustee").

The City has determined to issue general obligation bonds pursuant to Ordinance No. 42,565 adopted by the City Council of the City on February 27, 2007 to finance the acquisition, construction, and equipping of an approximately 80,000 square foot cruise ship center, which will iliculad docking areas and meeting space, to be owned and operated by the City and to pay related financing costs.

The City covenants and agrees with the Trustee and the owners, from time to time, of the Bonds, as follows:

#### ARTICLE I

#### DEFINITIONS

Section 101. Rules of Construction. Except where the context otherwise requires, (i) inpular words will connote the plural number as well as the singular and vice versa, and (ii) connote inferring the meaculing egoder will include the feminise and neutre genders and vice eraa. All references to particular articles or sections are references to articles or sections of this neturer unless otherwise indicated. The headings and Table of Contents in this Indenture melostly for convenience of reference and will not constitute a part of this Indenture, nor will they affect its meaning, construction or effect.

"Act" means the Public Finance Act of 1991, Chapter 5.1, Title 15.1 of Code of Virginia of 1950, as amended.

"Additional Credit Facility" means any insurance policy, surety bond, letter of credit or line of credit or similar agreement satisfactory to the City and the Trustee obtained to provide credit support for the Variable Rate Bonds and Medium Term Rate Bonds in accordance with Section 2004.

"Alternate Credit Facility" means for the purposes of this Indenture, a letter of credit, a liquidity guarantee, a standby bond purchase agreement, a municipal bond insurance policy, a surety bond, line of credit, or other similar agreement or credit enhancement satisfactory to the City, as amended, supplemented or extended from time to time.

"Alternate Liquidity Facility" means for the purposes of this Indenture, an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the Variable Rate Bonds and Medium Term Rate Bonds, as amended, supplemented or extended

authorized or required to remain closed and on which the New York Stock Exchange is not

"City" means the City of Norfolk, Virginia, a political subdivision of the Commonwealth

"City Council" or "Council" means the City Council of the City of Norfolk,

"Code" means the Internal Revenue Code of 1986, as amended.

"Commercial Paper Bonds" means Bonds bearing interest at the Commercial

"Commercial Paper Rate" means with respect to each Commercial Paper Bond, the interest borne by such Bond pursuant to Section 204(b)(i).

"Commercial Paper Period" means the Interest Period for any Commercial Paper Bond, then in effect, such Interest Period may not extend beyond the 15th day preceding the Credit Expiration Date or if such 15<sup>th</sup> day is not a Business Day, the immediately preceding Business Day.

"Commonwealth" means the Commonwealth of Virginia

"Conversion" means the conversion of the interest rate on the Bonds from one interest rate mode to another interest rate mode in accordance with the provisions of this Indenture.

"Conversion Date" means the Interest Payment Date which is the effective date

"Coverage Amount" means, as of any given date, an amount equal to the principal amount of Bonds Outstanding secured by the Credit Facility or the Liquidity Facility in question plus (1) during any Commercial Paper Period or Medium Term Rate Period, such number of days' interest on the Bonds as may be required to maintain the ratings then in effect on the Bonds, (2) during any Daily Rate Period, Weekly Rate Period or Monthly Rate Period, 3 days' interest on such Bonds, computed at a rate per annum caquat to the Maximum Rate or (3) such other number of days as will not adversely affect the rating then in effect on such Bonds.

"Credit Expiration Date" means the date which is 5 Business Days before the Credit Facility or Liquidity Facility, as the case may be, is to terminate or expite, including any extension of such date or voluntary termination by the City, unless provision has been made in accordance with Sections 207(d) and 506 for the delivery of an Alternate Credit Facility or an Alternate Liquidity Facility, as the case may be, which does not result in the ratings then in effect on the Bonds being reduced or withdrawn.

"Credit Facility" means for the purposes of this Indenture, a letter of credit, a liquidity guarantee, a standby bond purchase agreement, a municipal bond insurance policy, a surety bond, line of credit, or other similar agreement or credit enhancement satisfactory to the City, as amended, supplemented or extended from time to time and shall also include any Alternate Credit Facility.

"Credit Provider" means the provider of the Credit Facility then in effect.

"Credit Provider Bonds" has the meaning ascribed to such term in Section

"Credit Provider Rate" shall at any date of determination have meaning ascribed thereto in the Credit Facility or the Liquidity Facility, as the case may be, in effect on such date.

"Daily Rate" means the interest rate determined in accordance with Section 204(b)(ii).

"Daily Rate Bonds" means the Bonds bearing interest at the Daily Rate.

"Daily Rate Period" means the period beginning on the date of determination of the Daily Rate and ending on the date of determination of a new Daily Rate or the next Conversion Date.

"Delivery Office" means the principal office of the Tender Agent or such other address as may be specified by the Tender Agent for receiving Bonds and the notices set forth in Section 207

"DTC" means The Depository Trust Company, New York, New York, a limitose trust company organized under the laws of the State of New York, in its capacity thites depository for a series of Bonds.

"Electronic Means" means telecopy, telegraph, telex, facsimile transmission of other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

"Favorable Opinion of Bond Counsel" mean, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Bond Counsel, to the effect that such action is permitted under the Act and this Indonuted will not adversely affect the exclusion of interest on the Bonds from gross Income for purposes me for purposes

"First Optional Redemption Date" means August 1, 2015.

"Fitch" means Flich Inc., duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns; and if such comporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Fisch shall be deemed to refer to any other recognized municipal securities rating

"Medium Term Rate Period" means the period beginning on a Conversion Date after which the Bonds will bear interest at a Medium Term Rate and ending on the next

"Monthly Rate" means the interest rate determined in accordance with Section

"Monthly Rate Bonds" means the Bonds bearing the Monthly Rate.

"Monthly Rate Period" means (1) the period beginning on a Conversion Date and ending on the day preceding the first Business Day of the month following such Conversion Date and (2) the period beginning on the first Business Day of a calendar month and ending on the day preceding the first Business Day of the following calendar month.

and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns; and if a much copration shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's" shall be deemed to refer to any other recognized municipal securities rating agency, designated by the City other than Fitch or Standard and Poor's and acceptable to the Liquidity Purchaser.

"Official Statement" means the Official Statement of the City dated March 22, 2007, prepared in connection with the initial offering and sale of the Bonds.

"Ordinance" means Ordinance No. 42,565 adopted by the City Council of the City on February 27, 2007.

"Outstanding" means, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, all Bonds that have been authenticated and delivered by the Bond Registrar hereunder, except:

- (i) Bonds cancelled or delivered for cancellation at or prior to such date;
- (ii) Untendered Bonds to the extent that there is on deposit with the Remarketing Agent or the Tender Agent on the Purchase Date thereof an amount to pay the Purchase Price thereof as provided herein; and
- (iii) Bonds in lieu of others which have been authenticated under Section 219 or Section 222.

"Owner" means the bondholder of any Bonds.

"Paying Agent" means initially Regions Bank and any subsequent Paying Agent appointed to serve as Paying Agent hereunder.

agency designated by the City other than Moody's or Standard and Poor's and acceptable to the Liquidity Purchaser.

"Fixed Rate" means the Fixed Rate established in accordance with Section

"Fixed Rate Bonds" means Bonds bearing interest at a Fixed Rate.

"Fixed Rate Conversion Date" means the effective date of a Fixed Rate accordance with Section 206. established in accordar

"Fixed Rate Period" means the period during which the Bonds bear interest at the Fixed Rate, which period ends on the maturity date of the Bonds.

"Interest Payment Date" means (1) for all Daily Rate Bonds, Weckly Rate
Bonds and Monthly Rate Bonds, the first Business Day of each calendar month; (2) for each
Commercial Paper Bond, the Rate Adjustment Date immediately following the Commercial
Paper Period for which such interest accrued; (3) for Medium Term Rate Bonds or Fixed Rate
Bonds, each August 1 and Pebruary 1; (4) the date of mandatory tender under Sections 206 and
207; and (5) the maturity date of the Bonds.

"Interest Period" means (1) with respect to each Daily Rate Bond, Weekly Rate Theress Period means (1) with respect to each Daily Rate point, weekly Rate Bond or Monthly Rate Bond, the Daily Rate Period, Weekly Rate Period or the Monthly Rate Period applicable thereto or (2) with respect to each Commercial Paper Bond, Medium Term Rate Bond or Exice Rate Bond, that period beginning on an Interest Payment Date or a Conversion Date through and including the date preceding the next Interest Payment Date.

"Liquidity Facility" means an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the Variable Rate Bonds and Medium Term Rate Bonds, if applicable, as amended, supplemented or extended from time to time and shall also include any Alternate Liquidity Facility.

"Liquidity Purchaser" means the provider of the Liquidity Facility then in

"Maximum Interest Rate" for the purposes of this Indenture means the lesser of (a) the maximum applicable interest rate, if any, permitted by the laws of the Commonwealth or (b) twelve percent (1289) per annum; provided, however, that in connection with Purchased Bonds and Credit Provider Bonds, "Maximum Interest Rate" shall mean the applicable maximum rate, if any, permitted under the laws of the Commonwealth.

"Medium Term Rate Bonds" means the Bonds bearing the Medium Term Rate.

"Medium Term Rate" means the interest rate determined in accordance with Section 204(b)(vi

"Purchased Bonds" shall mean Variable Rate Bonds or Medium Term Rate Bonds, if applicable, purchased by the Liquidity Purchaser for so long as such Variable Rate Bonds are subject to the Purchased Bonds Rate.

"Purchased Bonds Rate" shall, at any date of determination, have the meaning ascribed thereto in the Liquidity Facility in effect on such date. For purposes of this Indenture, the Purchased Bonds Rate shall not apply when Variable Rate Bonds or Medium Term Rate Bonds, if applicable, cease to be Purchased Bonds.

"Purchase Date" means, (1) for a Commercial Paper Bond, the Rate Adj
Date following the current Commercial Paper Period as set forth in Section 207(b); (2) fo
Rate Bonds, the Business Day as set forth in Section 207(a)(i); (3) for Weedly Rate Bo
Business Day as set forth in Section 207(a)(ii); (4) for Monthly Rate Bonds, the Busines
set forth in Section 207(a)(iii); (5) for Medium Term Rate Bonds, the Business Day as
in Section 207(a)(iii); (6) for Medium Term Rate Bonds, the Business Day as
mandatory purchase pursuant to Section 207(c),(d) and (e).

"Purchase Price" means an amount equal to the aggregate principal amount of endered for purchase plus, if the Purchase Date is not an Interest Payment Date, accrued to the Purchase Date.

"Qualified Exchange Agreement" means any interest rate swap agreement, interest rate exchange agreement, cap or hedge, including supplements and amendments thereto, which meets the requirements set forth in the Interest Rate Swap Policy adopted by the City Council on October 20, 2003, as amended.

"Qualified Swap" or "Swap Agreement" means any Qualified Exchange Agreement, which has been designated in writing to the Trustee by an Authorized Officer of the City as a Qualified Swap with respect to such Variable Rate Bonds.

"Qualified Swap Provider" shall mean any counterparty, whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations, under a Qualified Swap are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or who has provided collateral such that its claims paying ability is rated (at the time the subject Qualified Swap is entered into) at least as high as required under the Interest Rate Swap Policy adopted by the City Council on October 20, 2003, as amended.

"Rate Adjustment Date" means, with respect to Commercial Paper Bonds, Day immediately following the end of the preceding Commercial Paper Pe

"Rating Agency" means Moody's, S & P or Fitch.

"Rating Confirmation Notice" means a written notice from each Rating Agency confirming that, upon the effective date of the Alternate Liquidity Facility or Alternate Credit Facility, the ratings on the Variable Rate Bonds or Medium Term Rate Bonds, if applicable, will

not be lowered or withdrawn from the then current rating as a result of action proposed to be taken.

"Record Date" means (i) with respect to the Daily Interest Rate Period, Weekly Interest Rate Period and Monthly Rate Period, the Business Day immediately preceding the Interest Payment Date and (ii) with respect to the Medium Term Rate Period and the Fixed Interest Pate Period, the 15th day of the immediately preceding calendar month.

"Remarketing Agent" means the initial purchaser of the Series 2007 Bonds and successor Remarketing Agent appointed by the City and reasonably acceptable to the

"Remarketing Agreement" means the agreement entered into by the City and the Remarketing Agent pursuant to Section 403 hereof.

"Remarketing Proceeds" means proceeds of the remarketing of Bonds tendered or deemed tendered for purchase under Section 207.

"Remarketing Proceeds Account" means the account by that name established pursuant to Section 402 hereunder and held by the Tender Agent.

"Securities Depositories" means The Depository Trust Company, 711 St. Avenus, Garden City, New York 11530, Pav.(516) 227-4039 or 4190; Midwest Securities: Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Ill 69605, Fax-(512) 653-2345; Philadelphia Depository Trust Company, Reorganization Divi 1900 Market Street, Philadelphia, Pennsylvania 19103, Amenion: Bond Departures, (215) 496-5058; provided, however, in accordance with then current guidelines of the Secu and Exchange Commission, Securities Depositories shall mean such other securities deposits at the City may designate in writing to the Trustee.

"Series 2007 Bonds" means the City's General Obligation Variable Rate Den Bonds, Series 2007 (AMT) authorized by Article II of this Indenture.

"Standard and Poor's" or "S. & P" means Standard & Poor's Ratings Service, Inc., duly organized and existing under and by vitue of the laws of the State of New York, and its successors and satispar, and it such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Standard and Poor's" shall be deemed to refer to any other recognized municipals accurities rating agency designated by the City other than Tithic or Moody's and acceptable to the Liquidity Purchaser.

"Tender Agency Agreement" means the agreement entered into by the City with cent pursuant to Section 401. the Tender Agent purs

"Tender Agent" means the party so designated in the Tender Agency Agree
-as the tender agent and any successor or successors thereto as shall be appointed pursua
Section 401 of this Indenture.

Section 202. Form of Bonds; Execution of Bonds. The Bonds shall be substantially in the form set forth in Exhibits A-I and A-2, with such appropriate variations, omissions and insertions as permitted or required by this Indemure. All of the Bonds will, from time to time, be executed on behalf of the City by, or bear the facsimile signature of, the Mayor, the City Manager, the Director of Finance and the City Treasurer and the corporate seal of the City (which may be a facsimile) will be affixed (or imprinted or engraved if a facsimile) and attested by the manual or facsimile signature of the Citer or Deputy Clerk of the Council of the City.

faccimile signature is on the Bonds cease to be an officer of the City before the Bonds or whose faccimile signature is on the Bonds cease to be an officer of the City before the Bonds so signed and scaled have been actually authenticated by the Bond Registrar or delivered by the City, the Bonds nevertheless may be authenticated, issued and delivered with the same force and effect as though the person or persons who signed or scaled the Bonds or whose faccimile signature is on the Bonds had not ceased to be an officer of the City. Any Bond may be signed and scaled on the Bonds that the City is those persons who, at the actual date of the execution of the Bond, are proper officers of the City, although at the date of the Bond they were not officers of the City.

#### Section 203. Details of Bonds; Payment.

- Section 203. Letails of Bondsy Fayment.

  (a) The Bonds will initially all be dated their date of initial authentication and delivery, and Bonds executed in exchange for or on the registration or transfer of Bonds will be dated as of the Interest Payment Date preceding the day of authentication thereof, unless the date of such authentication is an Interest Payment Date to which interest on the Bonds has been paid in full or duly provided for in accordance with the terms of this Indenture, in which case they will be dated as of such Interest Payment Date; except that if, as shown by the records of the Paying Agent, interest on the Bonds is in oftaint, Bonds executed and delivered in exchange for or not off Bonds will be dated as of the date to which interest on the Bonds has been paid in full. If no interest has been paid on the Bonds, Bonds executed and delivered in exchange for or on the registration of transfer of Bonds will be dated the date of initial authentication and delivery thereof.
- (b) Principal of and premium, if any, on the Bonds will be payable at the principal office of the Paying Agent. Payment of the principal of and premium, if any, on the Bonds will be made on the presentation and surrender of such Bonds as the same will be become due and payable. Payment of the interest on each Bond will be made by the Paying Agent on each Interest Payment Date to the person appearing as the Owner thereof as of the close of besiness on the Record Date proceeding the Interest Payment Date, by check mailed to such Owner at his address as it appears on the registration books maintained by the Registrar or as when other address as as furnished in writing by such Owner to the Registrar. The final manurity date of the Bonds shall be August 1, 2037.
- (c) Notwithstanding anything provided above, (1) payment of interest on the Bonds may (except as otherwise provided for Purchased Bonds), at the option of any Owner of South Conference of the 
"Trustee" shall initially mean Regions Bank or any agent selected by the City to serve as Trustee hereunder and as Tender Agent under the Tender Agency Agreement.

"Underwriter" means initial purchaser of the Series 2007 Bonds.

"Variable Rate Bonds" means the Commercial Paper Bonds, the Daily Rate Bonds, the Wockly Rate Bonds and the Monthly Rate Bonds.

"Variable Rate Period" means the period during which the Bonds bear interest at the Variable Rate.

"Variable Rate" means the Commercial Paper Rate, the Daily Rate, the Weekly Rate and the Monthly Rate.

"Weekly Rate" means the interest rate determined in accordance with Section 204(b)(iii).

"Weekly Rate Bonds" means the Bonds bearing the Weekly Rate.

"Weekly Rate Period" means the period beginning on, and including any Wednesday (or, if not a Business Day, on the next succeeding Business Day) and ending on, and including the then next Tuesday (or the day immediately preceding the first day of the next Weekly Rate Period for Weekly Rate Bonds), except that (1) the first "Weekly Rate Period" for the Bonds means the period beginning on the date the Bonds are issued and ending on the next succeeding. Tuesday or the day the ment Weekly Rate Period and (2) in the event of Conversion to Weekly Rate Bonds, the first "Weekly Rate Period means the period beginning on the Conversion Date and ending on the next succeeding Wednesday (or the day immediately preceding the first day of the next Weekly Rate Period for Weekly Rate Bonds). Weekly Rate Bonds).

#### ARTICLE II

#### THE BONDS

Section 201. Authorization. This Indenture has been executed and delivered pursuant to the Ordinance. The City has ascertained that the execution of and the transactions contemplated by this Indenture are necessary or convenient in order to carry out the purposes of the City and exercise the powers granted by it by the Act.

Pursuant to the Ordinance, General Obligation Variable Rate Demand Bonds of Pursuant to the Ordinance, General Obligation Variable Rate Demand Bonds of the City are hereby authorized in the principal amount of not exoceding \$33,000,000 and shall be designated "City of Norfolk, Virginia General Obligation Variable Rate Demand Bonds, Series 2007 (AMI)". The Bonds shall be issuable only as fully registered bonds without coupons in Authorized Denominations only, and in substantially the form of Eshibits A-1 and A-2 to this Indenture, with appropriate variations, omissions, insertions, notations, legends or endorsements required by law or usage or permitted or required by this Indenture. The Bonds may be in printed or typewritten form.

surrendered by 12:30 p.m. New York City time, by wire transfer) on presentation and surrender of such Bond on or after the due dates for such payments at the principal office of the Physing Agent, and (3) all payments of principal or redemption price of and interest on Purchased Bonds will be by wire transfer in immediately available funds as provided in the Liquidity Facility.

- (d) For Commercial Paper Bonds, the Trustee, the Paying Agent and the Registrar may rely on information provided to it by the Remarketing Agent as to the Owner, principal amount, current interest rate and next scheduled Purchase Date of such Bonds.
- (e) The City shall transfer to the Paying Agent amounts sufficient to pay (i) all principal and interest due on any Interest Payment Date and (ii) all principal, premium, if any, and interest due on any date fixed for reclemption, pursuant to Section 302, and the Paying Agent shall deposit such amounts in an account or accounts and such amounts shall not be commingled with any other moneys of the Paying Agent or with other amounts held by the Paying Agent under this Indenture and the Paying Agent sall use such amounts to pay the principal, premium, if any, and interest on the Bonds as provided under this Indenture.

#### Section 204. Interest Rate and Interest Payment Provisions

- Section 204. Interest Rate and Interest Payment Provisions.

  (a) General. The Bonds will initially bear interest at the Weekly Rate determined at public sale. Each Bond will evidence the right to receive interest, at a Variable Rate or a Medium Term Rate, determined from time to time, or at a Fixed Rate, from and including the date of such Bond until payment of the principal or redemption price thereof has been made or provided for in accordance with the provisions hereof, whether at maturity, on redemption or otherwise. Interest for each Interest Period will be paid on the next succeeding Interest Payment Date and, while the Bonds pay interest at a Variable Rate, will be computed on the basis of a year of 360 days and twelve 30-day months, provided that while any Bonds pay interest at the Medium Term Rate or the Fixed Rate, computed on the basis of a year of 360 days and twelve 30-day months, provided that while any Bonds pay interest at the Credit Provider Rate, interest on such Bonds will be payable on the dates and in the amounts calculated by the Credit Provider on the basis provided in the Credit Provider and the Credit Provider Rate, Interest on such Bonds will be Bonds bear interest at the Purchased Bonds Rate, interest on such Bonds will be payable on the dates and in the Liquidity Facility as accolated by the Liquidity Pacility as accolated by the Liquidity Pacility as provided in the Liquidity Facility as accolated by the Liquidity Pacility as provided in the Liquidity Facility as accolated by the Liquidity Pacility as accolated the than the Maximum Rate. The Trustee will calculate the amount in writing with the Paying Agent.
- (b) <u>Certain Interest Rates</u>. Interest rates will be determined as follows for Commercial Paper Bonds, Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds, Medium Term Rate Bonds and Fixed Rate Bonds.
- (i) (A) For each Commercial Paper Bond, the interest rate will be that annualized rate established by the Remarketing Agent on or before 12:30 p.m., New York City time, on the first day of the related Commercial Paper Period which, from among various interest rates established from time to time by the Remarketing Agent, it the interest rate necessary, in

the best professional judgment of the Remarketing Agent, taking into account prevailing market conditions, to enable such Commercial Paper Bond to be sold in a secondary market transaction on the first day of such Commercial Paper Period at a price equal to par plus accrued interest, if

- (B) For each Commercial Paper Bond, each Purchase Date and the related Commercial Paper Period will be established by the Remarketing Agent on or prior to the first day of each Commercial Paper Period for such Bond as being the Purchase Date and Commercial Paper Period permitted hereunder which, in the best professional judgment of the Remarketing Agent, taking into account prevailing market conditions, will ultimately produce the lowest overall net interest cost to the City for the Bonds until their maturity, provided that Commercial Paper Period must be from 1 to 270 days in length and may not extend beyond a Conversion Date or any date set for redemption, and the first day next succeeding each Commercial Paper Period must be a Business Day.
- (C) Notwithstanding subpragraph (B) above, (1) if a Credit Facility or Liquidity Facility is in effect and if no Additional Credit Facility or Alternate Liquidity Facility has been delivered under Section 506 or 508, as applicable, then no new Commercial Paper Period will be established for excellent Section 100 or 508, as applicable, then no new Commercial Paper Period Commercial Paper Period Commercial Paper Period Commercial Paper Period Confess Commercial Paper Period Commercial Paper Period Confess C
- (ii) For Dally Rate Bonds, the interest rate for any Dally Rate Period will be the rate established by the Remarketing Agent by 11:00 a.m. New York City time on each Business Day which is equal to the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any. The Daily Rate shall be effective on the day of its determination to, but not including, (a) the date of determination of a new Daily Rate or (b) the next Conversion Date. The Remarketing Agent shall determine a preliminary Daily Rate for each Business Day by no later than 10:00 a.m. New York City time on such day. The preliminary Daily Rate shall be the minimum interest rate for such day, If a day is not a Business Day, then the Daily Rate shall be the Daily Rate determined for the immediately preceding Business Day.
- (iii) For Weekly Rate Bonds, the interest rate for any Weekly Rate Period will be the rate established by the Remarketing Agent on the first day of such Weekly Rate Period which is the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Boosts in this secondary market or the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any.

is conclusive and binding on the City, the Trustee, the Paying Agent, the Remarketing Agent, the Credit Provider, the Liquidity Purchaser and the Owners.

- Section 205. Failure to Compute Interest Rates; Ineffective Interest Rates. If the Remarketing Agent no longer determines, or falls to determine, when required, an interest rate pursuant to Section  $204(b)(f_i(A), (ii), (iii), (iii), (iii), (iv), (v)$  or (v), or if for any reason such manner of determination is held to be invalid or unenforceable by a court of law, the interest rates for the next Interest Period will be determined by the Trustee as follows:
- (a) For Commercial Paper Bonds, if the Remarketing Agent does determine an interest rate pursuant to Section 204(b)(i)(A) for one or more Commercial Pa Periods, the interest rate will be that interest rate borne by such Bonds during the preced Commercial Paper Period.
- (b) For Daily Rate Bonds, if the Remarketing Agent does not determine an interest rate pursuant to Section 204(b)(ii) for one or more Daily Rate Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Daily Rate Period.
- (c) For Weekly Rate Bonds, if the Remarketing Agent does not determine an interest rate pursuant to Section 204(b)(iii) for one or more Weekly Rate Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Weekly Rate Period.
- (d) If the Remarketing Agest no longer establishes or fails to establish when required, a Commercial Paper Period for a Commercial Paper Bond pursuant to Section 204(b)(i)(B), such Commercial Paper Period and all succeeding Commercial Paper Periods such Bond will be that Commercial Paper Period which results in each succeeding Purchase Date for such Bond being the next Bustness Day until such time as the Remarketing Agent again establishes a Commercial Paper Period for such Bond commercial Paper Period for such Bond commercial Paper Period for such Bond.
- (c) For Monthly Rate Bonds, if the Remarketing Agent does not determine an interest rate pursuant to Section 204(b)(v) for one or more Monthly Rate Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Monthly Rate Period.
- (f) For Medium Term Rate Bonds, if the Remarketing Agent does no determine an interest rate or Medium Term Rate Period, pursuant to Section 204(b)/vi) for on or more subsequent Medium Term Rate Periods, the interest rate and the duration of aux Medium Term Rate Period will be that interest rate by such Bonds during the precedin Medium Term Rate Period.

#### Section 206. Conversion of Interest Rate.

(a) The interest rate on the Bonds is subject to Conversion to another interest rate mode, except from a Fixed Rate to another interest rate mode, in whole and not in part, at the option of the City, by mailting a notice thereof to the Trustee, the Credit Provider, Liquidity Parchaser, the Paying Agent and the Remarketing Agent at least 30 days before the Conversion Date and, if the Conversion is from the Commercial Paper Rate to another mode, subject to the limitations set form at the end of this subsection (a), accompanied by a preliminary written

- (iv) For Fixed Rate Bonds, the interest rate will be an annual rate established by the Remarkeding Agent on or before the Fixed Rate Conversion Date which is the minimum fixed interest rate necessary, in the bear prefessional pulgment of the Remarkeding Agent, taking into account prevailing market conditions, to enable the Remarkeding Agent to sell all of the Bonds in the secondary market at a price equal to the principal amount thereof.
- (v) For Monthly Rate Bonds, the interest rate for any Monthly Rate Period will be the rate catabilished by the Remarketing Agent on the first Business Day of such Monthly Rate Period, which is the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any.
- rate is set at a price equal to the principal amount thereof, plus accrued interest, if any.

  (v) For Medium Term Rate Bonds, the interest rate for any Medium Term Rate Period will be the rate catabilished by the Remarketing Agent on the first Business Day of such Medium Term Rate Period, which is the milanum rate of interest necessary, in the set professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the data such rate is set at a price equal to the principal amount thereof, plans accrued interest, if any. For each Medium Term Rate Bond, each Purchase Date and the related Medium Term Rate Period will be enablished by the Remarketing Agent to be before the first day of each Medium Term Rate Period for such Bond as being the Purchase Date and Medium Term Rate Period for such Bond as being the Purchase Date and Medium Term Rate Period for such Bond as being the Purchase Date and Medium Term Rate all of the Bends in the secondary market on the date such rate is set, provided that Medium Term Rate Period may not extend beyond a Conversion Date.
- (vii) Credit Provider Bonds will bear interest at the Credit Provider Rate. The Credit Provider will calculate the Credit Provider Rate in accordance with the Credit Facility and notify the Trustee and the Paying Agent of the Credit Provider Rate. Purchased Bonds will bear interest at the Purchased Bonds Rate. The Liquidity Purchaser will calculate the Purchased Bonds Rate in accordance with the Liquidity Facility and notify the Trustee and the Paying Agent of the Purchased Bonds Rate.
- Any provision of this Indenture notwithstanding, the Bonds, at any give Any provision of this lindenture notwinstanding, the Donds, at any given units, shall operate in only one interest rate period. References to Commercial Paper Bonds, Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds, Modellum Term Rate Bonds or Fixed Bonds and Fixed Bonds are period. Fixed Bonds are possible fixed Bonds a
- advise in writing the Trustee, the Paying Agent and the City of all interest rates determined by it under Section 204(b)(3/A), (ii), (iii), (iv), (v) and (v) and, for bedium Term Rate Bonds and Commercial Paper Bonds, all Interest Periods, principal amounts, Owners and Purchase Dates. Any determination of an interest rate and, in the case of Commercial Paper Bonds for Commercial Paper Bonds, and Interest Periods, principal amounts, Owners and Purchase Dates. Any determination of an interest rate and, in the case of Commercial Paper Bonds, determination of cach Purchase Dates, the next Rate Adjustment Date and the related Commercial Paper Period

opinion of Bond Counsel stating that such Conversion is authorized and in accordance with this Indenture and will not adversely affect the exclusion of the interest on any of the Bonds from the gross income of the recipient thereof for federal income tax purposes. On the Conversion Date, as a necessary condition to such Conversion, the City must deliver to the Trustee an opinion of Bond Conserved ideated the Conversion Date confirming the preliminary written opinion as of such Conversion Date. A Conversion Date court only (1) when the Conversion Date is a date on which the Bonds are subject to optional redemption under Section 302(a), (2) if the Conversion Date is not a Business Day, (3) except for conversion to a Fixed Rate, if the Credit Facility or Liquidity Ratellity, as applicable, is in the applicable Coverage Amount and (4) for a Conversion to the Conunectal Paper Rate, if the ratellar Active Law of the Conversion of the Conver

- (b) If the conditions to a Conversion referred to in subsection (a) of this Section are not satisfied on the Conversion Date, the proposed Conversion will not take place and interest on the Bonds will remain in the same interest rate mode.
- and interest on the Bonds will remain in the same interest rate mode.

  (c) (i) The Trustee will give notice by first class mail to the Owners not leas than 25 days before the Conversion Date. Such notice will state (A) that such Bonds are being converted, as set forth in the notice from the City; (B) the Conversion Date; (C) the date and intended method by which the interest rate will be determined and the procedure, which may include the furnishing of a telephone number which Owners can call, for informing such Owners whether the conditions for Conversion have been met and, if so, the applicable interest rate, and if no, that a Conversion to such interest rate method will not be effective; (D) the intended Interest Payment Dates and the Purchase Dates, if any, after the Conversion Date; (b) that, for a Conversion to Picked Rate Bonds, the Bonds will no longer be in effect after the Conversion Date; (f) that every Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) Bond (with the Conversion Date) (b) that every Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) and the Purchase Price; (i) that every Outstanding Bonds will be purchased by the Trustee on the Purchase Date; (ii) that every Outstanding Bond will be purchased by the Trustee on the Purchase Date; (ii) that every Outstanding Bonds will be purchased by the Trustee on the Purchase Date; (ii) that every Outstanding Bond will be purchased by the Trustee on the Purchase Date; (ii) that every Outstanding Bonds will be purchased by the Trustee on the Purchase Date; (ii) that every Outstan
- (ii) A copy of the notice of Conversion given to the Owners by the Trustee will also be given by the Trustee by Electronic Means to the City, the Bank and each Rating Agency then rating the Bonds.

#### Section 207. Optional Demand Purchase; Mandatory Purchase.

- (a) Optional Demand Purchase for Daily Rate Bonds, Weekly Rate Bonds.
   Monthly Rate Bonds and Medium Term Rate Bonds.
- Owner thereof, on any Business Day designated by the Owner thereof (a "Purchase Date"). Any such purchase will be at the Purchase Pate"). Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustee (at its designated office) not later than 10-00 a.m., New York City Time, on the Purchase Dase and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Daily Rate Bond to be purchased. (B) state the Purchase Date on which such Daily Rate Bond will be purchased pursuant to this subsection, and (C) irrevocably request such purchase.
- (ii) Any Weekly Rate Bond will be purchased, on the demand of the Owner thereof, on any Business Day designated by the Owner thereof (a "Purchase Date") which is not less than seven days after the date notice of such demand is delivered in writing to the Trustec. Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustec (at its designated office) not later than the severth day before the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Weekly Rate Bond to be purchased, (B) state the Purchase Date on which such Weekly Rate Bond will be purchased pursuant to this subsection, and (C) irrevocably request such purchase.
- (iii) Any Monthly Rate Bond will be purchased, on the demand of the Owner thereof, on any Business Day designated by the Owner thereof (a "Purchase Date") which is not less than seven days after the date of such demand is delivered in writing to the Trustee. Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustee (at its designated office) not later than the seventhe in writing and be delivered to the Trustee (at its designated office) not later than the seventhe in the properties of the properties of the purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Monthly Rate Bond to be purchased, (B) state the Purchase Date on which such Monthly Rate Bond will be purchased bursuant to this subsection, and (C) irrevocably request such purchase.
- and (C) irrevocably request social purchases.

  (iv) Any Medium Term Rate Bond will be purchased, on the demand of the Owner thereof, on the last Interest Payment Date in the Medium Term Rate Period Henerife (a) Furthuse Date; which demand shall not be lest than 14 days prior to such Purchase Date, Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustee (a) its designated office) not later than the 1st day before the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Medium Term Rate Bond swill be purchased pursuant to this subsection, and (C) irrevocably request such purchase. The Remarketing Agent will give notice by first class mail to Owners not more than 45 days nor less than 35 days before a Purchase Date for Medium Term Rate Bond will the next-Purchase Date (c) Medium Term Rate Bond will be purchased Date (c) Medium Term Rate Bond will the next-Purchase Date (c) Medium Term Rate Bond with the next-Purchase Date (c) Medium Term Rate Bond when the proposed rate after the next Purchase Date (d) where and when the proposed rate after the next Purchase Date (d) where and when the proposed rate after the next Purchase Date (d) where and when the proposed rate after the next Purchase Date (e).

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payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as set forth herein.

- (d) Mandatory Purchase on Credit Expiration Date. If a Credit Facility or Liquidity Facility is in effect, the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price no later than the Credit Expiration Date if the Trustee has not received evidence estisfactory to its by the 25° day preceding the Credit Expiration Date of either an extension of the then existing Credit Facility or Liquidity Facility as the cose may be, meeting the requirements of this Indensture. The Trustee shall cause the Bonds to be purchased solely from the sources described in Section 2018; however, any draws under the Credit Facility or Liquidity Facility and the made on the existing Credit Facility or Liquidity Facility and Bot the Additional Credit Facility or Alternate Liquidity Facility.
- The Trustee will give notice 20 days prior to the expiration of the Credit Facility or Liquidity Facility to all Owners that the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price on the date set forth in said notice. After such notice is gipen, the Bonds will thereafter be subject to mandatory tender for purchase at the Purchase Price on the date set forth in the notice (a "Purchase Date").
- All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration recented in from satisfactory to the Trustee) at the designated office of the Trustee at or prior to 10:00 arm. New York City time, on the Purchase Date will be required for payment in same-day funds of the Purshase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of an appropriate transfer of such Bonds as set forth herein. Purchase of all Bonds by the Trustee purchased under this Section 207(d) will be effected only with funds described in Sections 208(b), (c) and (d).
- unity wan nunea werstrieve an accuma away, (c) ama (d).

  "Credit Expiration Date" will be deemed to include the effective date of any Additional Credit Facility or Alternate Liquidity Facility obtained by the City in connection with the Bonds. Additionally, for purposes of the mandatory purchase of this Section 207(d), "Credit Expiration Date" will be deemed to include the date which is 3 Business Days prior to the effective date of a Atternate Liquidity Facility for which the City has not received written evidence Rasing Ageocies then rating the Series 2007 Bonds that the then existing rasings on the Series 2007 Bonds with the Company of the
- (e) Mandatory Purchase on Notice of Event of Default under the Credit receiver within a Credit Reality or Liquidity Reality is in effect and the Trustee receives written notice from the Credit Provider that an event of default under the Credit Pacility has excurred and is continuing or from the Liquidity Purchaser that an event of default under the Liquidity Purchaser that an event of default under the Liquidity Purchaser that an event of default under the Liquidity Pacility has occurred and is continuing, and in either case, and directing the Trustee to call the Bonds for mandatory tender under this Section 207(e), then the Trustee shall set the

the Medium Term Rate Bonds are subject to tender of the Owner thereof as set forth in the preceding sentence.

- (v) The Trustee will promptly provide the Remarketing Agent and the Paying Agent with telephonic notice of the receipt of the notice referred to in the preceding paragraphs, confirmed in writing or by facsimile.
- (vi) Any Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond or Medium Term Rate Bond with regard to which demand is made as set forth in this subsection will be deemed to have been tendered for purchase on any Purchase Date with respect thereto.

Delivery of such Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond or Medium Term Rate Bond (with an appropriate transfer of registration executed in form satisfactory to Trustee) at the designated office of Trustee at or prior to 10:00 a.m. (New York City Time) on the Purchase Date will be required for payment by the Tender Agent in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date. So Owner of such Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds or Medium Term Rate Bonds as set forth berein.

- (b) Mandatory Purchase of Commercial Paper Bonds. Each Commercial Paper Bond will be purchased, or deemed purchased, on the Rate Adjustment Date following the then current Commercial Paper Period relating to such Commercial Paper Bond (a "Purchase Date") at the Purchase Price.
- Date is not received. The control of - (c) <u>Mandatory Purchase on Conversion Dates</u>. On any Conversion Date with respect to any Bonds whether or not a Conversion occurs (or in each case the next Business Day) (a "Purchase Date"), such Bonds must be delivered to the Trustee for purchase (with all necessary endorsements) at the Purchase Price.
- All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in form sostificatory to the Trustee) at the designated office of the Trustee at the before 10:00 a.m., New York City Time, on the Purchase Date will be required for payment in same-day funds of the Purchase Pote. No Owner will be entitled to

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mandatory tender date to occur no later than the fifth calendar day following the date the Trustee receives such notice of an event of default under the Credit Facility or Liquidity Facility and the Trustee shall send notice to all Owners of the Bonds that the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price on the date set forth in said notice. After such notice is given, the Bonds will be subject to mandatory tender for purchase at the Purchase Price on the date set forth in the Notice (a "Purchase Date").

All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in blank in form satisfactory to the Trustee; at the designated office of the Trustee at or prior to 10:00 a.m., New York City time, on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be neitlided to payment of the Purchase Price due on such Purchase Date, NO Owner will be neitlided to payment of the Purchase Price due on such Purchase Date, to No Owner will be neitlided to asset forth therein. Purchase of all Bonds by the Trustee purchased under this Section 207(e) will be effected only with funds described in Sections 208(b), (c) and (d).

Section 208. Source of Funds for Purchase of Bonds. Except as provided in Section 207(d) and (e), on the date on which Bonds are delivered or deemed delivered for purchase pursuant to Section 207, the Paying Agent will purchase such Bonds from the Owners thereof at the Purchase Price. Funds for the payment of such Purchase Price will be derived solely from the following sources in the order of priority indicated and neither the City, the Paying Agent, the Trustee nor the Remarketing Agent will be obligated to provide funds from any other sourcer:

- (a) Remarketing Proceeds;
- (b) proceeds derived from a drawing under the Credit Facility, if the Credit Facility provides for such a drawing, or proceeds derived from a drawing under the Liquidity Facility.
- (c) other Available Moneys held by the Paying Agent or the Trustee and available for such purpose; and
- (d) to the extent that the foregoing are insufficient, moneys provided by the
- If funds from the source described in subsection (a) above are not sufficient to provide for the Purchase Price of all Bonds delivered or deemed delivered pursuant to Section 207, the Trustee will, no later than 10:30 a.m. New York City time on each Purchase Date, draw on the Credit Facility or Liquidity Facility, as applicable, in accordance with the terms thereof to purchase the Bonds delivered or deemed delivered for purchase to censure timely payment of the Purchase Price of the Bonds on the Purchase Price of the Purchase Price of the Bonds on the Purchase Price of

Section 209. Delivery of Bonds; Delivery of Proceeds of Sale; Payments From Credit Facility or Liquidity Facility.

(a) Bonds purchased with funds described in Section 208(a) will be registered in the name of and delivered to the purchasers thereof.

- (b) Bonds purchased with funds described in Section 208(c) or (d) will be registered in the name of the City and delivered as directed by the City, as appropriate.
- (c) Bonds purchased with funds described in Section 208(b) which were derived from a drawing under the Credit Facility will be registered and delivered to or at the direction of the Credit Provider and will constitute Credit Provider Bonds.
- (d) Bonds purchased with the funds described in Section 208(b) which w derived from a drawing under the Liquidity Facility will be registered and delivered to or at direction of the Liquidity Purchaser and will constitute Purchased Bonds.

ourection of the Liquidity Purchaser and will constitute Purchased Bonds.

Section 210. Bonds Deemed Tendered for Parchase. If Bonds have been deemed to have been delivered for purchase as provided in Section 207, the authenticating agent will authenticate (and the City execute, if necessary) a new Bond. The Trustee will promptly give notice by first class mail to each registered Owner whose Bonds are deemed to have been purchased pursuant to Section 207, which notice well state that interest on such Bonds cased to accrue on the applicable Purchase Date and that monoys representing the Purchase Price of such Bonds are available against delivery therof at the designated office of the Paying Agent. The Paying Agent will hold moneys received from the Tender Agent for the purchase of Bonds in trust and uninvested, without liability for interest theroon, for the benefit of the former Owner of the Bond on such Purchase Date, who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his part under this Indenture or on, or with respect to, such Bond.

#### Section 211. Remarketing of Bonds.

- (a) Subject to the provisions of Section 211(e), the Remarketing Agent will use its best efforts to remarket Bonds to be purchased on a Purchase Date pursuant to Section 207; provided, however, that with respect to any Bonds which have been called for redemption, such Bonds must be accompanied by a copy of the notice of redemption and will only be remarketed to a purchaser who acknowledges that such Bonds have been called for redemption and will be redeemed on the date stated in the notice. All such sales will be at a price equal to the principal amount thereof plus accrued interest thereon, if any.
- Trustee, the City, the Paying Agent, the Liquidity Purchaser and the Credit Provider (by telephone at or before 10:13 a.m., New York City time, for Weekly Rate Bonds, Monthly Rate Bonds and Medium Term Rate Bonds, followed by telephone at or before 10:13 a.m., New York City time, for Weekly Rate Bonds, Monthly Rate Bonds and Medium Term Rate Bonds, followed by telephony are telex, of the aggregate amount of Bonds to be purchased pursuant to Section 207 that have not been successfully remarkated by Remarketing Agent, (ii) by telephone at or before 10:13 a.m., New York City time, for Commercial Paper Bonds and Daily Rate Bonds, of the Owner, principal amount, the curious and next scheduled Purchase Date of each Daily Rate Bond and Commercial aper Bond successfully remarketed and (iii) by telephone at or before 10:13 a.m., New York City time, for Medium Term Rate Bonds, of the Owner, principal amount, the curior time day of the Commercial Paper Bonds and Commercial aper Bonds and Commercial aper Bonds and the Cowner, principal amount, the current near day of the Commercial Paper Bonds and Commercial aper Bonds on the Commercial Paper Bonds and Commercial aper Bonds on the Commercial Paper Bonds and the School, of the Cowner Bonds and Commercial Paper Bonds and the School, and the Commercial Paper Bonds and the School, and the Commercial Paper Bonds and the Comm

subject to full reinstatement of the amount available to be drawn under the Credit Facility or Liquidity Facility, as applicable, with respect to such Bonds.

subject to full reinstatement of the amount available to be drawn under the Credit Facility or Liquidity Pacifity, as applicable, with respect to such Bonds.

The Credit Provider's and Liquidity Purchaser's security interest in Credit Provider Bonds or Purchased Bonds shall be released only after the Trustee has received written notice from the Credit Provider or the Liquidity Purchaser that Credit Facility or Liquidity Facility, as applicable, has been reinstated by the amount of the funds drawn to purchase Credit Provider Bonds or Purchased Bonds (A) as a result of reinbursement by the City to the Credit Provider or the Liquidity Purchaser or (B) (I) while the book-cutry system is in effect, because Credit Provider or the Credit Provider or the Liquidity Purchaser or (B) (I) while the book-cutry system is in effect, because Credit Provider Bonds or Purchased Bonds have been remarkeded and the proceeds of such search of the Credit Provider or the Liquidity Purchaser (I) (II) if the book-cutry system is in effect, because Credit Provider or the Liquidity Purchaser) (II) if the book-cutre of the Credit Provider or the Liquidity Purchaser). The Trustee shall promptly give the Credit Provider or the Liquidity Purchaser). The Trustee shall promptly give the Credit Provider or the Liquidity Purchaser or the Liquidity Purchaser, as applicable by the securities depository in the side sent to the Credit Provider or the Liquidity Purchaser, as applicable by the Securities depository in the State sent to the Credit Provider or the Liquidity Purchaser, as applicable by the Securities depository in the State sent to the Credit Provider or the Liquidity Purchaser of the Credit Provider or the Liquidity Purchaser, as applicable by the Securities depository in the State sent to the Credit Provider of the Liquidity Purchaser of the Credit Provider or the Liquidity Purchaser and the Credit Provider of the Bonds have been released pursuant to clause (B) showe, (I) while the book-crity system is in effect, the Trustee shall insti

entry system is not in effect, the Trustee shall register such Bonds to the City or its designee.

If the Remarketing Agent remarkets any Credit Provider Bond or Purchased Bond, the Remarketing Agent shall direct the purchaser of such Credit Provider Bond or Purchased Bond to transfer, by 9:30 a.m., New York City time, on the purchase date, the Purchaser Price of such remarketed Credit Provider Bond or Purchased Bond to the Trustee for deposit into Bank Bond Purchase Account, to be disbursed from such account solely for the purposes described in this paragraph. The Trustee shall immediately notify the Credit Provider for Liquidity Purchaser in Immediately available funds of all amounts due under the Credit Provider of Liquidity Practility as reimbursement for the full amount therefore drawn under the Credit Pacility or Liquidity Facility as reimbursement for the full amount therefore drawn under the Credit Pacility or Liquidity Facility as classify as Liquidity Pacility as Liquidity Facility or Liquidity Pacility  The Same Pacility or Liquidity Pacility or Liqui

- (c) At or before 1:30 p.m., New York City time, on each Purchase Date, the Remarketing Agent will remit to the Tender Agent the Remarketing Proceeds of Bonds that have been remarketed, and such amounts will be immediately deposited in the Remarketing Proceeds
- (d) If the Paying Agent does not receive notice from the Remarketing Agent by 10:15 a.m., New York City time, on the applicable Purchase Date, of the aggregate amount of Bonds to be purchased pursuant to Section 207 that have not been successfully remarketed by the Remarketing Agent, the Paying Agent shall immediately notify the Trustee and the Trustee shall draw on the Credit Facility or Liquidity Facility, as applicable, for the full Purchase Price the Bonds tendered for purchase on such Purchase Date.
- (e) Notwithstanding anything to the contrary herein provided, the Bonds may be remarketed only when (1) a Credit Facility or Liquidity Facility, as applicable, providing for the payment of the Purchase Price of the Bonds in the applicable Coverage Amount will be in effect following the remarketing of such Bonds or (2) the Bonds will be converted to a Fixed Rate or Medium Term Rate and such Bonds will be rated Investment Grade by any Rating Agency rating such Bonds immediately following such remarketing.

Section 212. Limits of Remarketing. Bonds purchased by the Paying Agent pu Section 212. Limits of Remarketing. Bonds purchased by the Paying Agent pursuant to Section 207 from the date of notice of a Conversion is given through the Conversion Date will not be remarketed except to a buyer who acknowledges at the time of such purchase that the Bond is subject to repurchase pursuant to Section 207 on the Conversion Date. The Interest rate on any Commercial Paper Bond not remarketed pending Conversion will be determined to have successive Commercial Paper Brond not remarket (i) Bonds owned by or on behalf of the City and (ii) Credit Provider Bonds or Purchased Bonds, as the case may be, unless the Trustec has received written notice of reinstatement of the Credit Facility or the Liquidity Facility, as the case may be, to the Converge Amount. The foregoing notwithstanding, it shall not be necessary for the Trustec has received written away be, to the Credit Facility or the Liquidity Facility, as the case may be, to the Converge Amount if the Credit Facility or the Liquidity Facility, as the case may be, to the Converge Amount if the Credit Facility or the Liquidity Facility, as the case may be, to the Converge Amount if the Credit Facility or the Liquidity Facility, as the case may be, to the Converge Amount without written notice.

Section 3.13. Credit Provider Bonds and Purchased Bonds. Bonds purchased with proceeds of a drawing on the Credit Facility to purchase Bonds that have been tendered but not remarketed shall constitute. "Credit Provider Bonds and Bonds that have been tendered but not remarketed shall constitute." Credit Provider Bonds and Purchased With proceeds of a drawing on the Liquidity Facility to purchase Bonds that have been tendered but not remarketed shall constitute. "Credit Provider Bonds and Purchased Bonds shall be beld by the Tender Agent as fiduciary for the Credit Provider Bonds or butchased Bonds shall be beld by the Tender Agent as fiduciary for the Credit Provider Bonds on the bond register or, if the Bonds are held in the book crity system, such Credit Provider Bonds or Purchased Bonds be recorded in the books of the securities depository for the account of the Truster, as custodian for the Credit Provider and Liquidity Purchaser, as applicable) in accordance with the provisions of this Indenture and any reimbursement agreement. The Remarketing Agent shall continue to use its best efforts to arrange for the sale of any Credit Provider Bonds or Purchased Bonds,

deposit with the Trustee in such subaccount after payment of the Purchase Price is made to the Credit Provider or Liquidity Purchaser as described in the preceding sentence, such moneys shall be paid to, or upon the order of, the City.

Notwithstanding anything to the contrary in this subsection, if and for so long as the Bonds are held in book-entry form, the registration requirements for Credit Provider Bonds or Purchased Bonds under this subsection shall be deemed satisfied if Credit Provider Bonds or Purchased Bonds are (A) registered in the name of the securities depository or its nominee, (B) redited on the books of the securities depository to the account of (j) the Credit Provider or Liquidity Purchaser (or their designee) or (ii) the Trustee (or its nominee) and further credited on the books of the Trustee (or such nominee) to the account of the Credit Provider or Liquidity Purchaser (or their designee).

Section 214 Reserved

Section 215. Reserved

Section 216. Reserved.

Section 217. Book-Entry Format. In the event the City shall elect to implement a book-entry system with respect to the Bonds, the following provisions shall apply:

- book-entry system with respect to the Bonds, the following provisions shall apply:

  (a) As per the direction of the initial purchasers of the Bonds, the ownership of one fully registered Bond for each maturity of the Bonds shall be registered in the name of Code & Co. (\*Code\*), as nominee of The Depository Truct Company (\*DTC\*), New York, New York, I Rowever, the aggregate principal amount of any maturity exceeds \$100 million, one certificate will be issued with respect to each \$100 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount so that together they equal the aggregate principal amount of that maturity. Payments of interest on and principal and Redemption Price, if applicable, of the Bonds shall be made to the account of Cede on each payment date at the address indicated for Cede in the registration books of the City kept by the Bond Registrar by transfer of immediately available funds, provided, however that such payments made with respect to Bonds subject to the Fixed Rate Period thall be made in New York Clearing Bouse or equivalent next shy funds, and, provided further, that payments of interest with respect to Bonds subject to the Fixed Rate Period thall be made in New York Clearing Bouse or equivalent next shy funds, and, provided cruther, that payments of interest with respect to Bonds subject to the Fixed Rate Period thall be made in New York Clearing the transfer of the City that it will maintain a book-entry system in recording ownership interests of its participants (the "Direct Participants") and the ownership interests of a beneficial interest in the Bonds of Penneficial Ownership interests of a beneficial interest in the Bonds of Penneficial Ownership way be initially issued in the form of a venerate sinele fully.
- (b) The Bonds may be initially issued in the form of a separate single fully registered Bond in the amount of each separate stated maturity, subject to the first and second sentence of Section 217. With respect to Bonds so registered in the name of Code, the City, the Paying Agent, the Trustee and the Tender Agent shall have no responsibility or obligation to any Direct Participant (with the exception of the right of Direct Participants to demand purchase of Bonds pursuant to Section 207) or to any Beneficial Owner of such Bonds. Without limiting the immediately preceding sentence, the City, the Paying Agent, the Trustee and the Tender Agent

shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Direct Participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Direct Participant, Beneficial Owner or other Person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, (iii) the payment to any notice with respect to the principal or Redemption Price of, or interest on, the Bonds, or (iv) any consent given or other action taken by DTC as Owner of the Bonds. The City, the Paying Agent, the Trustee and the Tender Agent may treat DTC as, and deem DTC to be, the absolute Owner of each Bond for all purposes whosever (with the exception of the right of Direct Participants to demand purchase of Bonds pursuant to Section 207) including (but not limited to) (i) payment of the principal or Redemption Price of, and interest on, each such Bond, (ii) grain notices of purchase or redemption and other matters with respect to such Bonds. The Trustee shall pay the Principal or Redemption Price of, and interest on, all Bonds only to the Paying Agent, who shall pay to or upon the order of DTC, and all such payments that the valled and effective to fully satisfy and discharge the City's obligations with respect to such principal or Redemption Price, and interest, to the extent of the sum or sums so paid. No Person other than DTC hall receive Bond evidencing the obligation of the City to make payments of principal or Redemption Price of, and interest, to the extent of the transfer provisions hereof, the word "Cede" in this Indenture shall represent the ordering the obligation of DTC.

- (c) (i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable written notice to the City, the Trustee, Paying Agent and the Tender Agent and discharging its responsibilities with respect thereto under applicable law.
- (ii) The City, in its sole discretion and without the consent of any other Person, may terminate, upon provision of notice to the Trustee, Paying Agent and Tender Agent, the services of DTC with respect to the Bonds if the City determines, that: (A) DTC is unable to discharge its responsibilities with respect to such Bonds; or (B) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC, is not in the best interest of the Beneficial Owners of such Bonds.
- (d) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (c)(ii)(ii) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection (c)(ii) or subsection (c)(ii)(ii) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found or which, in the opinion of the City, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of Cede as nonince OTDC. In such event, the City whall issue and the Bond Registrar in the such cycling and accelerates as requested by DTC or Direct Participants of like Principal amount and

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Prior to the delivery on original issuance by the Bond Registrar of any authenticated Bonds there shall be or have been delivered to the Trustee and the Bond Registrar, the following

- (a) original duly executed counterparts of the Remarketing Agreement, the Liquidity Facility and the Tender Agency Agreement; and
- (b) an opinion of counsel for the Liquidity Purchaser stating, in the opinion of such counsel, that, subject to the exceptions set forth therein, the Liquidity Facility is a valid and binding obligation of the Liquidity Purchaser enforceable against the Liquidity Purchaser in accordance with its terms.
- Section 219. Registration, Transfer and Exchange. The City will cause books for the registration and registration of transfer or exchange of the Bonds to be kept at the principal office of the Bond Registrar. The City appoints the Bond Registrar as its registrar and transfer agent to keep such books and to make registrations of transfer or exchange under such reasonable regulations as the City or the Bond Registrar may prescribe.
- reasonable regulations as the City or the tonic registration of transfer or exchange of any Bond at the principal office of the Bond Registrar, the City will execute and the Bond Registrar will authenticate and deliver in the name of the transferer or transferers as new Bond or Bonds of like the control of the control of the suggregate principal amount which the time is estitled to receive, subject in each east to such reasonable regulations as the City or the Bond Registrar may presented. All Bonds presented for registration of transfer, exchange, redemption or pyment will be accompanied by a written instrument or instruments of transfer authorization for exchange, in form and substance reasonably satisfactory to the Bond Registrar, duly exceeded by the registered Owner or by the Owner's duly authorized attorney-in-fact or legal representative. No Bond may be registered to bearer.

New Bonds delivered upon any transfer or exchange will be valid obligations of the City evidencing the same debt as the Bonds surrendered and entitled to their benefits to the same extent as the Bonds surrendered. Registrations of transfers or exchange will be made by the Bond Registrar within such time periods as are customary in the municipal securities

- Neither the City nor the Bond Registrar shall be required to (i) to transfer or exchange Bonds for a period of 20 days next peeceding an interest payment date on such Bonds or next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption; or (ii) to transfer or exchange any Bonds called for redemption.
- Section 220. Charges for Exchange or Transfer. Except as provided in Section 222, no charge will be made for any registration of transfer or exchange of Bonds, but the City or the Bond Registrar may require payment by the Owner of the Bonds of a sum sufficient to cover any applicable tax or other governmental charge that may be imposed.
- Section 221. Temporary Bonds. Until Bonds in definitive form are ready for delivery, in City may execute, and upon its request in writing, the Bond Registrar will authenticate and

maturity, in Authorized Denominations to the identifiable Beneficial Owners in replacement of such Beneficial Owners' beneficial interests in the Bonds.

- (e) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal or Redempision Price of, interest on, and purchase price of soke Bond and all notices to Owners with respect to such Bond shall be made and given, respectively, to DTC as provided in a Letter of Representations to be entered into at the time the Bonds are issued by and among DTC, the City, the Trustee, the Paying Agent and Tender Agent.
- (f) In connection with any notice or other communication to be provided to Bond Owners pursuant to this Indenture by the Trustee with respect to any consent or other action to be taken by Bond Owners so long as any Bond is registered in the name of Code, as nominee of DTC, or the nominee of any successor securities depository, the Trustee shall eatablish a record date for such consent or other action and give DTC or any successor securities depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.
- date to an exactin possion.

  (g) If the City purchases, or causes the Trustee to purchase with any moneys available to the Trustee, any of the Bonds, such purchase of Bonds shall be deemed to have occurred upon the purchase of beneficial ownership interests in the Bonds from a Direct Participant. Upon receipt by DTC of notice from the City and a Direct Participant that a purchase of beneficial ownership interests in the Bonds has been made by the City from such purchase of beneficial ownership interests in the Bonds referenced in such notice and, if the principal amount referenced in aid notice is less than the principal amount of the Bonds so gurrendered, the Bond Registrar shall authenticate and deliver to DTC, in exchange for the Bond so surrendered, a new Bond or Bonds, as the case may be, in Authorized Denominations and in a principal amount quit to the difference between (i) the principal amount of the Bond so surrendered and (ii) the principal amount of the Bond so surrendered and (ii) the principal amount of the Bond so surrendered and (ii) the principal amount of the Bond so surrendered and (ii) the principal amount of the Bond so surrendered and (ii) the principal amount of the Bond so surrendered and (ii) the principal amount of the Bond so surrendered and (ii) the principal amount of the Bond so surrendered and (ii) the principal amount of the Bond so surrendered and (iii) the principal amount of the Bond so surrendered and (iii) the principal amount of the Bond so surrendered and (iii) the principal amount of the Bond so surrendered and (iii) the principal amount of the Bond so surrendered and (iii) the principal amount of the Bond so surrendered and (iii) the principal amount of the Bond so surrendered and (iii) the principal amount of the Bond so surrendered and (iii) the principal amount of the Bond so surrendered and (iii) the principal amount of the Bond so surrendered and (iii) the principal amount of the Bond so surrendered and (iii) the principal amount of the Bond so surrendered and (iii)
- (h) Notwithstanding any provision herein to the contrary, the City and the Trustee may agree to allow DTC, or its nominee, Cede, to make a notation on any Bond redeemed in part to reflect, for informational purposes only, the principal amount and date of any such redemption.
- (i) Notwithstanding any provision herein to the contrary, so long as the Bonds are subject to a system of book-entry transfers pursuant to this Section, any requirement for the delivery of Bonds to the Tender Agent in connection with a tender pursuant to Section 207 or 208 shall be deemed satisfied upon the transfer, on the registration books of DTC, of the beneficial ownership interests in such Bonds tendered for purchase to the account of the Tender Agent, or a Direct Participant acting on behalf of or at the direction of such Tender Agent.

Section 218. Prerequisites to Authentication of Bonds. The City shall execute and deliver to the Bond Registrar and the Bond Registrar shall authenticate the Bonds and deliver the Bonds to the initial purchaser or purchasers thereof only upon compliance with the requirements of this Section 21.

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deliver in lieu of definitive Bonds and subject to the same provisions, limitations and conditions, one or more printed, lithographed or typewritten Bonds in temporary form, in substantially the form set forth in this Indenture, with appropriate omissions, variations and insertions.

The City will, without unreasonable delay, prepare, execute and deliver to the Bond Registrar, and, upon the presentation and surrender of the Bond or Bonds in temporary form to the Bond Registrar at its principal office, the Bond Registrar will authenticate and deliver in exchange, a Bond or Bonds of the same maturity and Series in definitive form, in the authorized denominations, and for the same aggregate principal amount as the Bond or Bonds in temporary form surrendered. Such exchange will be made at the City's expense.

Section 222. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Outstanding Bond is mutilated, lost, stolen or destroyed, the City will execute, and, upon the City's request in writing, the Bond Registrar will authenticate and deliver, a replacement Bond of the same Series, principal amount and maturity and of like tenor as the mutilated, lost, stolen or destroyed Bond in exchange and substitution for a mutilated Bond, or in lieu of and substitution for a lost, stolen or destroyed Bond.

Application for exchange and substitution of mutilated, lost, stolen or destroyed Bonds will be made to the Bond Registrar at its principal office and the applicant will familia the City and the Bond Registrar security or indemnification to their statisfaction. In every case of lost, when or destruction of a Bond, the applicant will also furnish to the City and the Bond Registrar evidence to their satisfaction of the loss, theft or destruction and of the identity of the applicant, and in every case of mutilation of a Bond, the applicant will surrender the Bond so mutilated for cancellation.

Notwithstanding the foregoing provisions of this Section, in the event any Bond has matured and no default has occurred which is then continuing in the payment of the principal of or premium; if any, or interest on the Bond, the City may authorize the payment of the Bond (without surrender except in the case of a mutilated Bond) instead of issuing a substitute Bond, provided sectory or informalification is furnished as provided in this Section.

The City and the Bood Registrar may charge the Owner their reasonable fees and expenses in connection with the issuance of any substitute Bond. Every substitute Bond issuade pursuant to the provisions of this Section will constitute a contractual obligation of the City, whether or not the lost, stolen or destroyed Bond is found or delivered at any time, or is enforceable by anyone, and will be entitled to all of the benefits of this Indenture equally and proportionally with any and all other Bonds duly issued under this Indenture to the same extent as the Bond in substitution for which such Bond was issued.

The provisions of this Section are exclusive and will preclude (to the extent lawful) all of the rights and remedies with respect to the payment of mutilated, lost, stolen, or destroyed Bonds, including those granted by any law or statute now existing or hereafter enacted.

Section 223. Destruction of Bonds. Any temporary or mutilated Bond surrendered to the Bond Registrar, or any Bond redeemed or paid at maturity, or any Bond delivered for

transfer, exchange or replacement, or purchased pursuant to instructions from the City, will be destroyed, and the Bond Registrar will deliver a certificate of destruction of such Bonds to the City.

#### ARTICLE III

#### REDEMPTION OF BONDS

Section 301. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to this Indenture shall be redeemable, upon notice as provided in this Article III, at such times, at such prices and upon such terms in addition to the terms contained in this Article III as may be specified in this Indenture.

#### Section 302. Optional Redemption.

- (a) The Variable Rate Bonds are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date.
- (b) While the Bonds bear interest at a Variable Rate, the City anticipates that it will cause the Bonds to be redeemed pursuant to this Section 302(b), on August 1 in the years and in the principal amounts set forth below:

Year	Amount	Year	Amount
2008	\$485,000	2023	\$1,015,000
2009	515,000	2024	1,060,000
2010	535,000	2025	1,120,000
2011	565,000	2026	1,170,000
2012	590,000	2027	1,230,000
2013	625,000	2028	1,290,000
2014	655,000	2029	1,355,000
2015	685,000	2030	1,425,000
2016	720,000	2031	1,495,000
2017	755,000	2032	1,570,000
2018	795,000	2033	1,650,000
2019	835,000	2034	1,730,000
2020	875,000	2035	1,820,000
2021	920,000	2036	1,910,000
2021	965,000	2037	2,005,000

(c) During any Medium Term Rate Period or Fixed Rate Period, the Bonds are subject to optional redemption by the City, on or after the First Optional Redemption Date, in whole or in part at any time, less than all of such Bonds to be selected by lot or in such other manner as the Tivate or the City, as applicable, hall determine, on the redemption dates and at the redemption prices (expressed us percentages of principal amount) to be determined. During the City on or prior to the Conversion Date commencing such Medium Term Rate Period or Fixed Rate Period provided that such prices do not reflect a redemption premium exceeding 3%.

- (e) Notice of redemption of the Bonds shall be mailed or caused to be mailed, postage prepaid, by the Trustee (i) not less than thirty (30) days before the date fixed for redemption of Bonds, which have not been converted to a Fixed Interest Rate, and (ii) not less than thirty (30) days before the date fixed for redemption of Bonds, which have been converted to a Fixed Interest Rate, to the registered owners of any Bonds or portions of Bonds, which are to be redeemed, a their addresses as they appear on the Record Date on the registration books kept by the Bond Registrar. Failure of the registered owners of any Bonds, which are to be redeemed for receive any such notice, shall not affect the validity of the proceedings for the redemption of Bonds for which proper notice has been given.
- (d) Any Bonds and portions of Bonds, which have been duly selected for redemption and which are deemed to be paid in accordance with their terms, shall cease to bear interest on the date fixed for redemption in the notice of redemption referred to in paragraph (b) of this Section 306.

#### ARTICLE IV

#### TENDER AGENT AND REMARKETING AGENT

Section 401. The Tender Agent. The Trustee shall also act as Tender Agent and shall accept the duties and obligations thereof under this Indenture by execution and delivery of an agreement with the City under which the Tender Agent will agree, among other things, to:

- of, and in excove for the benefit of, the respective Owners, which shall have so tendered such Bonds until moneys representing the purchase price of such Bonds shall have so tendered such Bonds until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Owners.
- (b) hold in accordance with this Indenture a Remarketing Proceeds Accounts Bond Purchase Account, which Accounts shall not constitute funds or accounts a subject to the pledge of the Indenture;
- (c) hold all moneys paid or delivered to it under this Indenture for deposit in an account held in accordance with this Indenture for application to the purchase of Bonds, as agent and bailee of, and in escrew for the benefit of, the person or entity which shall have so delivered or paid such moneys until the Bonds purchased with such moneys shall have been delivered to of for the account of such person or entity or such moneys have been deposited with the Tender Agent as provided in Section 208;
- Purchased Bonds or Credit Provider Bonds and deliver such Provider, as appropriate, or transfer such Purchaser or Credit Pavider Bonds to the Liquidity Purchaser or Credit Pavider, by the Liquidity Purchaser or Credit Pavider, as appropriate, or transfer such Purchased Bonds or Credit Pavider Bonds as directed by the Liquidity Purchaser or Credit Facility Provider, as appropriate,
- (e) keep such hooks and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the City, the Trustee, the Bond Registrar, the Remarketing Agent, the Liquidity Purchaser and the Credit Provider, and

Section 303. Mandatory Sinking Fund Redemption Provisions. The Bonds shall not ject to mandatory sinking fund redemption.

Section 304. Redemption of Purchased Bonds or Credit Provider Bonds. Purchased Bonds owned by the Liquidity Purchaser or Credit Provider Bonds owned by the Credit Provider, as a result of a purchase under the Liquidity Facility or Credit Facility, as the case may be, are subject to redemption at the option of the City in whole or in part, on the second Business Day after notice to the Liquidity Purchaser or the Credit Provider, as the case may be, at a redemption price equal to the principal amount thereof plus interest due thereon as provided in the Liquidity Facility or Credit Facility, as applicable. Purchased Bonds and Credit Provider Bonds are subject to mandatory ordemption at such times and in such amounts as specified in the related Liquidity Facility or Credit Facility, as the case may be.

Section 305. Selection of loads to be Redeemed. In the event of redemption of less than all the Bonds identified by the City as being subject to optional redemption as provided in Section 302, the particular Bonds or portions thereof to be redeemed shall be selected by the City as being subject to optional redemption as provided in Trustee in such manner as the Trustee in its discretion may determine; provided, however, the portion of such Bonds to be redeemed and the portion of such Bonds to be retained by the Owner thereof shall be in the principal amount of an Authorized Denomination for the Interest Rate Period to which such Bonds are then subject, and provided further, novithstanding any provision of this Article III to the contrary, any Bonds which are Purchased Bonds or Credit Provider Bonds shall be selected first. New Bonds representing the unredeemed balance of the principal amount of any such Bonds shall be staced to the registered Owner thereof, without charge therefor. Any new Bonds issued pursuant to this paragraph shall be executed by the City and authenticated by the Bond Registrar and shall be in any Authorized Denominations in an aggregate unpaid principal amount equal to the unredeemed portion of the Bonds surrendered.

#### Section 306. Procedure for Redemption.

- (a) The City shall give written notice to the Trustee and Bond Registrar of its election or direction to redeem the Bonds at least thirty-five (35) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee.
- outs or such shorter period as shall be acceptable to the l'ristice.

  (b) In the event any of the Bonds are called for redemption, the Trustee shall give notice or cause the Bond Registrar to give notice, in the name of the City, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed, the date fixed for redemption, the Redemption Price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal office of the Bond Registrar and, if less hall all of the Bonds are to be redeemed, the numbers of the Bonds as to be redeemed, and, if any of the Bonds are to be redeemed in part only, the respective portions of the principal amount hereof to be redeemed and the letter and number or other distinguishing mark of each such Bond, (ii) state any conditions to such redemption, and (iii) state that on the date fixed for redemption, and upon the satisfaction of any such conditions, the Bonds to be redeemed shall cease to bear interest. Such notice may set forth any additional information relating to such redemption.

(f) give notices as required under this Indenture at the times and in the manner specified.

manner specified.

Any successor Tender Agent shall be a bank or trust company, including, a savings bank, duby organized under the laws of the United States of America or any state or territory thereof, having combined capital nock, supplus desired profits of at least Frity Million Dollars (\$50,000,000), with trust powers, and authoritorided profits of at least Frity Million Dollars (\$50,000,000), with trust powers, and authoritorided profits of at least Frity imposed upon it by this Indenture. The Tender Agent may at any time resign and but the control of the duties and obligations created by this Indenture by giving at least sixty (60) days notice to the City, the Trustoe, the Bond Registrar, the Remarketing Agent, any Qualified Swap Provider and each Credit Provider and Liquidity Purchaser, provided that south reignation shall not take effect until the appointment of a successor Tender Agent. The Tender Agent may be removed at any time by the City upon virtue notice to the Trustoe, the Remarketing Agent, the Bond Registrar, any Qualified Swap Provider and each Credit Provider and/or Liquidity Purchaser provided that such removal shall not take effect until a successor. Tender Agent is appointed. Upon the resignation or removal of the Tender Agent shipse to the prior written approval of the Liquidity Purchaser. Tender Agent is appointed. Upon the resignation or removal of the Tender Agent shipse to the prior written approval of the Liquidity Purchaser. Tender Agent shipse to the prior written approval of the Liquidity Purchaser. Tender Agent shipse to the prior written approval of the Liquidity Purchaser. Tender Agent shipse to the prior written approval of the Liquidity Purchaser. Tender Agent shipse to the prior written approval of the Liquidity Purchaser. Tender Agent shipse to the prior written approval of the Liquidity Purchaser. Tender Agent shipse to the prior written approval of the Liquidity Purchaser. Tender Agent shipse to the prior written approval of the Liquidity Purchaser. Tender Agent shipse

#### Section 402. Remarketing Proceeds Account and Bank Bond Purchase Account.

- (a) There are hereby created to be held by the Tender Agent the followin accounts: (i) the Bank Bond Purchase Account and (ii) the Remarketing Proceeds Account. The Remarketing Proceeds Account and Bank Bond Purchase Account Bank In orbe part of the Indig of the City contained in the Indenture. Amounts on deposit in the Remarketing Proceed Account and Bank Bond Purchase Account shall not be committed with each other or with than amounts held in any other fund or account under this Indenture.
- (b) All amounts received by the Tender Agent representing drawings on the Liquidity Facility to pay the Purchase Price of Variable Rate Bonds or Medium Term Rate Bonds shall be deposited in the Ilank Bond Purchase Account, and used only for the payment of the Purchase Price of Outstanding Variable Rate Bonds or Medium Term Rate Bonds in the manner and at the times specified in Section 207.
- representing the Purchase Price of Variable Rate Bonds or Medium Term Rate Bonds or model of the Remarketing Agent and all amounts received from any other source (other than a drawing under a Credit Facility or Liquidity Facility) for such payment shall be deposited than a drawing under a Credit Facility or Liquidity Facility) for such payment shall be deposited in the Remarketing Proceeds Account and shall be used only for payments of the Purchase Proceeds a Country of the Variable Rate Bonds or Medium Term Rate Bonds to remarketed as provided in Section

207 hereof or to the payment to the Liquidity Purchaser or Credit Provider, as applicable, for Variable Rate Bonds or Medium Term Rate Bonds purchased by it and remarketed.

of the Remarketing Proceeds Account and/or Bank Bond Purchase Account, nor shall any such moneys if deposited by mistake or otherwise, be used for the purchase of Variable Rate Bonds or Medium Tenn Rate Bonds tendered or deemed tendered for purchase pursuant to the terms of Article II bercof. Moneys in the Remarketing Proceeds Account and/or Bank Bond Purchase Account shall not be invested and shall be held without liability for interest thereon.

Section 403. The Remarketing Agest. The initial purchaser of the Series 2007 Bonds shall initially serve as Remarketing Agent. The Remarketing Agent shall be authorized by law to perform all of the duties imposed upon it hereby. The Remarketing Agent or any successor shall signify its acceptance of the duties and obligations imposed upon it hereunder by a Remarketing Agreement under which the Remarketing Agent will agree to:

- (a) determine (which shall include inquiries of market sources as necessary to accurately ascertain the then-prevailing market conditions for the Bonds) each Variable Rate, Medium Term Rate and the Fixed Interest Rate and give notice of such rates as set forth in Article II;
- (b) keep such books and records with respect to the remarketing of the Variable Rate Bonds and Medium Term Rate Bonds as shall be consistent with prudent industry
- (c) use its best efforts to remarket the Variable Rate Bonds and Medium Term
  Rate Bonds in accordance with this Indenture and the Remarketing Agreement; provided,
  however, that commencing with any mandatory purchase described in Section 207(d) or 207(e),
  the Remarketing Agent shall suspend its remarketing of the Variable Rate Bonds and Medium
  Term Rate Bonds until such time as the City, the Trustee, Liquidity Purchaser or Credit Provider,
  as applicable, and the Remarketing Agent agree to the resumption of remarketing.

as applicable, and the Remarketing Agent agree to the resumption of remarketing. 
Section 404. Removal or Resignation of Remarketing Agent. The Remarketing 
Agent may be removed at any time upon seven (7) days prior written notice by an instrument 
filled with such Remarketing Agent and the Trustee and signed by an authorized officer of the 
Gly, and the City may appoint as successor with the prior written approval of the issuer of any 
Credit Facility and Liquidity Facility. Each successor Remarketing Agent at all times shall be 
either a member of the National Association of Securities Dealers, inc. or registered as a dealer 
of municipal securities under the Securities Exchange Act of 1934, as amended, and shall have 
the capital of at least \$200,000,000, Notice of such removal shall promptly be provided to the 
Trustee in writing. The Remarketing Agent may at any time resign and be discharged of the 
duies and obligations created by this Indenture by giving at least stay (60) days interested 
units of the City, the Liquidity Purchaser, Credit Provider, the Truster Order, Agent, the 
poor leads to the City, the Liquidity Purchaser, Credit Provider, the Truster of Agent, the Provider 
provided that such resignation shall-not be effective—
provided that such resignation shall-not be effective—
provided that such resignation shall-not be effective—
provided that ruster resignation shall-not be effective—
provided that such resignation shall-not be effective—
provided that

Tender Agent, the Bood Registrar, or the Remarketing Agent, each in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the City and may act as depository, trustee, or agent for any committee or body of owners of any Bonds secured hereby or other obligations of the City as freely as if it did not act in any capacity hereinder.

Section 409. Cooperation by the City. The City shall cooperate with the Bond Registrar to cause the necessary arrangements to be made and to be thereafter continued whereby the Bonds, executed by the City and authenticated by the Bond Registrar, shall be made available for exchange, registration and registration of trunsfer at the Principal Office of the Bond Registrar. The City shall cooperate with the Trustee and the Bond Registrar to cause the necessary agreements to be made and thereafter continued whereby the issuer of any Credit Facility or Liquidity Facility and the Remarketing Agent shall be limithed such records and other information at such times as shall be required to enable the Paying Agent, the issuer of any Credit Facility or Liquidity Facility and the Remarketing Agent to perform the daties and the obligations imposed upon them hereunder.

obligations imposed upon them hereunder.

Section 410. Notices and Filings, With respect to the Bonds, in each and every case in this Indenture in which notice is required to be given to the Cloy, the Trustee, the Bond Registrar and/or the Owners of Bonds then Outstanding, then the applicable notice shall also be given to the Remarketing Agent, the issuer of control Credit File-Bellity or Liquidity Facility, and SABP, Fitch and Moody's, currently rating the Bonds. Furthermore, with respect to the Bonds, in each and every case in this Indenture in white Forthermore, with respect to the Bonds, in each and every case in the Bond Credit Facility and SABP, Fitch and Credit Facility and SABP, Fitch and Credit Facility and SABP, Fitch and SABP, Fitch and Forthermore, with respect to the Bonds, in each and every case in the Bond Credit Facility and SABP, Fitch and SABP, Fit

Section 411. Notices to Rating Agency. The Trustee shall provide any Rating Agency with written notice upon the occurrence of: (a) the expiration, termination, extension or substitution of the Liquidity Facility or Credit Facility, if any; (b) the defeasance of any Bonds pursuant to Section 602; (c) he resignation or removal of the Trustee or the Remarketing Agent; (d) acceptance of appointment as successor Trustee hereunder; (e) the redemption, mindstory tender or acceptance of all Bonds; (f) a material change in the Indenture or the Liquidity Facility or the Credit Facility, if any; or (g) notification of any Conversion.

Section 405. Successor Remarketing Agents. Any corporation, association, partnership or firm, which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights, powers and obligations of such Remarketing Agent update the Indender

Section 406. Modification of Remarketing Agent's Duties. Modifications may be made to the provisions hereof (with corresponding changes to the Remarketing Agreement) regarding the duties and responsibilities of the Remarketing Agent, the dates and times at which interest rates are to be determined, and the tender for purchase and notices of tenders, provided that the prior consent of the Remarketing Agent is obtained in writing and that:

- (a) any such modification shall be subject to the prior written constall not be unreasonably withheld) of the Liquidity Purchaser and/or Credit Provider;
- (b) the effective date for any such modification, as it affects the Bonds, shall be a Business Day, which occurs not less than thirty-five (35) days following the mailing by the Trustee to all Bond Owners of a notice setting forth the nature of the modifications and specifying the effective date thereof;
- (c) prior to the effective date of the modification, the Remarketing Agent shall not offer tendered Variable Rate Bonds or Medium Term Rate Bonds for sale to any Person unless it has advised such Person of the nature and effective date of the modification;
- necessary, reflecting the modification shall be prepared prior to the effective date thereof a such replacement Variable Rate Bonds or Medium Term Rate Bonds as when replacement Variable Rate Bonds or Medium Term Rate Bonds shall be delicated connection with all transfers (including transfers upon tender) and exchanges made on or at the effective deal of the modification; and
- (e) prior to the effective date of the modification, the City, the Trustee, the Tender Agent, the issuer of any Credit Facility or Liquidity Facility and the Remarketing Agent shall have received a Favorable Opinion of Bond Counsel to the effect that the modification is authorized hereunder and will not adversely affect the exclusion of interest on the Variable Rate Bonds or Medium Term Rate Bonds from federal income tax.
- Section 407. Remarketing Agent May Act Through Agents. The Remarketing Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, officers, or employees and shall be entitled to advice of counsel concerning all questions hereunder.

Section 408. Dealings in the Bonds. The Trustee, the Tender Agent, the issuer of any Credit Facility or Liquidity Facility, the Bond Registrar or the Remarketing Agent, each in its individual canapolity, may in good faith and to the extent otherwise permitted by laws, buy, seal, own, hold and deal in any of the Bonds issued hereunder, and may join in any action which any registered owner of the Bonds may be entitled to take with like effect as if it did not act in any canapolity hereunder. The Trustee, the issuer of any Credit Facility or Liquidity Facility, the

#### LIQUIDITY FACILITY

Section 501. Liquidity Facility. The Trustee shall take such actions as may be necessary to obtain funds under, and as required by, the Liquidity Facility to pay the Purchase Price of the Variable Rate Bonds and Medium Term Rate Bonds then subject to purchase under the Liquidity Facility to lendered for purchase or required to be purchased pursuant to the provisions of this Indenture at the times, on the dates, to the extent, and in the manner, provided by Section 207 and deliver the proceeds of such drawing to the Tender Agent for deposit in the Bank Bond Purchase Account pending application of such moneys to the symmetric of the Purchase Price of such Variable Rate Bonds or Medium Term Rate Bonds. The initial Liquidity Facility to be issued upon the issuance of the Bonds shall cover the Purchase Price of the Daily Rate Bonds, Weekly Rate Bonds and Monthly Rate Bonds and, unless and until otherwise amended, the requisiter Coverage Amount shall not be available to pay the Purchase Price of the Commercial Paper Bonds or Medium Term Rate Bonds.

The Tender Agent shall notify the City and the Trustee by telephone, promptly confirmed in writing, of the amounts to be drawn, as soon as practicable and, when possible, at least one day prior to such draw on the Liquidity Facility.

The Trustee shall have the obligation to hold and maintain the Liquidity Facility The Trustee shall have the obligation to hold and maintain the Liquidity Facility for the benefit of the Owners of Variable Rate Bonds and Medium Term Rate Bonds until the Liquidity Facility Facility Facility Facility Facility Facility Facility Facility Eminates or expires in accordance with its terms or the Fixed Rate Period has become effective. No Variable Rate Bonds or Medium Term Rate Bonds which are Purchased Bonds or which are held on account of the City or any affiliate thereof shall be entitled to the benefit of the Liquidity Facility, and the Liquidity Facility and the Company of the Liquidity Facility and the Liquidity Faci

If at any time all of the Variable Rate Bonds and Medium Term Rate Bonds then subject to purchase under the Liquidity Facility shall have been paid or converted to an Interest Period not permitted by the Liquidity Facility, the Trustee shall surrender the Liquidity Facility, to the Liquidity Pacility, the Concellation. However, in the event the Variable Rate Bonds and Medium Term Rate Bonds are converted to an Interest Period not permitted by the current Liquidity Pacility for (Ity) and the current Liquidity Pacility for (Ity) and the current Liquidity Pacility for growing the requisite Coverage Amount appropriate for such Interest Period. The Trustee shall comply with the procedures, if any, set forth in the Liquidity Facility relating to the termination thereof and is authorized to deliver certificates reducing the stated amount of the Liquidity Facility in accordance with the provisions thereof, if any.

Notwithstanding anything contained in this Indenture, the Trustee shall not seek to be indemnified with respect to any drawing under the Liquidity Facility pursuant to this Section prior to making any such drawing.

Section 502. Release of Liquidity Facility. The Trustee shall not release any existing Liquidity Facility with respect to Variable Rate Bonds and Medium Rate Bonds subject to purchase under such Liquidity Facility, unless and until either (1) an Alternate Liquidity Facility has been provided and the Alternate Liquidity Facility is substantially the same as the existing Liquidity Facility facility that is to be released, (2) the Variable Rate Bonds and the Medium Term Rate Bonds have been converted to a Fixed Rate in accordance with Section 206 and the City directs such a release, or (3) the Variable Rate Bonds and the Medium Term Rate Bonds have been defeased in accordance with their terms.

Section 503. Trustee to Reduce or Terminate Liquidity Facility. The Trustee shall, in accordance with the applicable provisions of the Liquidity Facility, take such action (including filing of certificates of reduction) as shall be required to reduce the amounts available for drawing thereunder in respect of Principal and interest on the Boosks to reflect any permanent reduction in the amount of Variable Rate Boods Outstanding: provided, however, that the amount available to be drawn under the Liquidity Facility shall at all times be equal to the Coverage Amount.

Coverage Amount.

Section 594. Amendment of Liquidity Facility. The Trustee shall notify the Owners, the Remarketing Agent and each Rating Agency of any proposed amendment of a Liquidity Facility which would adversely affect the interests of the Owners or the Trustee, and may consent thereto upon receipt of the consent of the Owners of all Variable Rate Bonds and Medium Term Rate Bonds then Ouststanding which would be affected by the action proposed to be taken, provided, that, except as otherwise provided in Sections 502 and 503, the Trustee shall not, without the unanimous consent of the registered Owners of all Variable Rate Bonds and Medium Term Rate Bonds Outstanding, which would be affected by the action proposed to be taken, consent to any amendment, which would (1) decrease the amount of the Liquidity Facility. The Trustee shall not be required to notify Owners or obtain their consent for any proposed amendment to a Liquidity Facility which would not adversely affect their interests, including any extension of the Liquidity Pacility Notwithstanding anything else provided herein, an amendment of the Indenture shall require the prior written consent for the Liquidity Pacility requires the prior written consent of the Liquidity Pacility requires the prior written consent of the Liquidity Pacility Republication.

Section 505. References to Liquidity Purchaser. Any provision of this Indenture regarding the consent of, or mandating the direction of action by, the Liquidity Purchaser shall, except as expressly provided, be deemed ineffective if (i) the Liquidity Facility is used thereby its no longer in effect and no amount is due and owing under such Liquidity Pacility or (ii) the Liquidity Purchaser has failed to shoot a proper dreaw under the Liquidity Facility.

Section 506. Alternate Liquidity Facility. Notwithstanding any provisions in Indenture regarding Alternate Liquidity Facilities to the contrary the following provisions govern Alternate Liquidity Facilities for the purposes of this Indenture:

either (i) at all times during the term of the Alternate Liquidity Facility, the Variable Rate Bonds and Medium Term Rate Bonds will be offered, sold and held by Owners in transactions not constituting a public offering of the Variable Rate Bonds, Medium Term Rate Bonds or the Liquidity Facility under the Securities Act of 1933, as amended, and accordingly neither the registration of the Variable Rate Bonds or the Medium Term Rate Bonds under the Securities Act of 1933, as amended, one the qualification of the Indeature respect thereof under the Trust Indeature Act of 1939, as amended, will be required in connection with the issuance and delivery of the Liquidity Facility or the remarketing of the Variable Rate Bonds and Medium Term Rate Bonds with the benefits thereof, or (ii) the offering and sale of the Variable Rate Bonds, Medium Term Rate Bonds and the Liquidity Facility has been registered under the Securities Lot of 1933, as amended, and any infenture required to be qualified with respect thereto under the Trust Indenture Act of 1939, as amended, as been so qualified.

Section 507. [Reserved].

Section 508. Additional Credit Facility. In its discretion, from time to time, the City may obtain an Additional Credit Facility to provide credit support for the Variable Rate Bonds and Medium Term Rate Bonds. Any such Additional Credit Facility shall be for the account of the Trustee, as trustee for the Owners.

#### MISCELLANEOUS

Section 601. Notices. Except as otherwise provided in this Indenture, all notices, certificates, requests, requisitions or other communications by the City, the Trustee, the issuer of any Credit Facility or Liquidity Facility, the Tender Agent or the Bond Registrate pursuant to this Indenture shall be in writing and shall be sufficiently given and shall be deemed given by personal delivery or when mailed by registered or certified mail, postage prepaid, and either delivered or addressed as follows:

If to the City:

City Hall Building Norfolk, Virginia 23501 Attention: Director of Finan Telephone: (757) 664-4346 Facsimile: (757) 664-4110

If to the Trustee, Tender Agent, Paying Agent, or Bond Registrar:

Regions Bank 951 East Byrd Street Richmond, Virginia 23219 Attention: Joy Edwards Telephone: (804) 225-1198 Facsimile: (804) 225-1183

(a) At least sixty (60) days prior to the expiration or termination of any Liquidity Facility, the City shall provide for the delivery to the Trustee of a written commitment of delivery of an Alternate Liquidity Facility or renewal of the then existing Liquidity Facility, Any such Alternate Liquidity Facility or renewal of the then existing Liquidity Facility Any such Alternate Liquidity Facility and per a term of years which is more or less than the Liquidity Facility which is being replaced (but in no event less than 360 days unless otherwise agreed to in writing by the City) and shall contain administrative provisions reasonably acceptable to the Trustee, the Tender Agent and the Remarketing Agent. On or prior to the date of the delivery of such Alternate Liquidity Facility to the Trustee, the City shall furnish to the Trustee (i) a Favorable Opinion of Bond Counsel and (ii) such additional opinions as the Trustee may reasonably request. Upon receipt of such documents and the documents star for decrease the form of the desired of the control of the control of the desired of the control of the desired of the desired of the control of the desired of the City of the Section 50s, the Trustee shall accept such Alternate Liquidity Facility and promptly surroder the Liquidity Facility then in effect to the Liquidity Parchaser which issued such Liquidity Facility in accordance with its terms for cancellation or deliver any document necessary to reduce the coverage of such Liquidity Facility. In the case of a renewal of the existing Liquidity Facility in the control of the City Trustee, Tender Agent and Remarketing Agent, at least sixty (60) days prior to the Expiration Date.

(b) The Trustee or Tender Agent, as appropriate, shall comply with any procedures set forth in any outstanding Liquidity Facility relating to the termination thereof. In addition, upon conversion of the Variable Rate Bonds or Medium Term Rate Bonds to an Interest Period not permitted by the Liquidity Facility in accordance with Section 206, the Trustee shall comply with the procedures, if any, set forth in the outstanding Liquidity Facility relating to the termination thereof.

relating to the termination thereof.

(c) Notwithstanding anything contained herein to the contrary, so Alternate Liquidity Facility shall be accepted by the Trustee hereunder unless such Alternate Liquidity Facility is accompanied by (A) opinions of counsel reasonably satisfactory to the City and substantially to the effect that (1) the Liquidity Perchaser is regardized and existing, under the laws of the jurisdiction of its organization, and, if applicable, is qualified to do business or is otherwise licensed to conduct business in the United States of America; (2) the Alternate Liquidity Facility is a legal, valid and binding obligation of the Liquidity Purchaser, enforceable in accordance with fits terms, except as limited by bankrupty, insolvency, recognization, moratorium and other laws relating to, or affecting generally the enforcement of, creditor's rights and remedics, and by the availability of equilable remedies, including specific performance and injunctive relicf; and (3) the Alternate Liquidity Facility is an exempt security or is exempt from registration under the Securities Act of 1933, as a mended, and accordingly relicite the registration of the Bonds or the Alternate Liquidity Facility under the Securities Act of 1933, as ammended, and the qualification of the Indenture in respect theoret under the Trust Indenture Act of 1939, as amended, will be required in connection with the issuance and delivery of such Alternate Liquidity Facility or the remarketing of the Variable Rate Bonds and Medium Term Rate Bonds with the benefits thereof; and (B) the written consent of the City to the selection of the Liquidity Purchaser.

(d) In lieu of the opinion of counsel required by Section 506(c)(1)(A), there may be delivered an opinion of counsel reasonably satisfactory to the City to the effect that

If to the Remarketing

Morgan Keegan & Company, Inc. 951 East Byrd Street, Suite 930 Richmond, Virginia 23219 Attention: James Johnson Telephone: (804) 225-1104 Facsimile: (804) 225-1180

Morgan Keegan & Company, Inc. Fifty N. Front Street, 16<sup>th</sup> Floor Memphis, Tennessee 38103 Attention: Thomas Galvin Telephone: (901) 579-4226 Facsimile: (901) 579-4363

If to Fitch:

Fitch Inc. One State Street Plaza New York, NY 10004

Attention: Municipal Structured Finance Group Telephone: (212) 908 0500 Facsimile: (212) 908 9195

If to S& P:

Standard & Poor's Rating Services 55 Water Street, 38° Floor New York, New York 10041 Attention: Muni Structured Finance Telephone: (212) 438-2000 Facsimile Number: (212) 438-2157

E-mail Address: pubfin\_structure@standardandpoors.com

If to the Liquidity Purchaser, at such address as the Liquidity Purchaser shall designate in writing in the Liquidity Facility or otherwise. Any of the foregoing may, by notice given hercunder to each of the others, designate any further or different addresses or telephone numbers to which subsequent notices, certificates, requests or other communications shall be sent hereunder.

Section 602. <u>Defeasance</u>. No Variable Rate Bonds shall be paid in advance of their maturity date until (1) notice of such defeasance has been provided to S&P, (2) the excrowagement, effeasance opinion, and verification report by an independent certified public accountant (CPA), if any, have been provided to S&P, and (3) the Trustee receives written confirmation from S&P that the attings then in effect on the Variable Rate Bonds will not be reduced or withdrawn as a result of such defeasance.

#### Section 603. [Reserved].

Section 694. Pledge of Full Faith and Credit. The full faith and credit of the City are irrevocably pledged for the payment of the principal of, premium, if any, and interest on the Bonds. The Council is authorized to and shall levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all texable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of, premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

Section 605. Amendments to Indenture. Anything in the Indenture to the contrary notwithstanding, the City hereby agrees that any amendment to this Indenture shall be subject to the prior written consent of the Bank.

Section 606. Tax Covenants Relating to the Bonds. The City covenants to maintain the exclusion from gross income for Federal income tax purposes pursuant to Section 101(a) of the Internal Revenue Code of 1986 (or any successor thereto) (the "Code") of the interest on the Bonds. In furtherance of the covenants contained in the preceding sentence, the City agrees to comply with the provisions of the Non-Arbitrage Certificate and Tax Covenants (the "Tax Certificate") delivered on the date of initial issuance and delivery of the Bonds, as the Tax Certificate and the sentence of the Bonds of the Certificate Section 101 (the Bonds) and the Bonds of the

The City covenants and agrees with the Trustee and the Holders of the Bonds that the City shall not take any action or omit to take any action; which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would cause any of the Bonds to be "private activity bonds" or "arbitrage bonds" within the meaning of Sections 141 (a) and 148, respectively, of the Code.

Notwithstanding any other provision of this Indenture to the contrary, so long as necessary in order to maintain the exclusion of interest on the Blonds from gross income under Section 103(s) of the Code, the covenants contained in paragraph 1 and 2 of this Section 606 shall survive the payment of the Bonds, including any payment or defeasance thereof.

Section 607. Limitation of Liability of Councilors, Officers, etc., of the City and the Trustee. No covenant, agreement or obligation contained in this Indenture will be deemed to be a covenant, agreement or obligation of any present or future councilors, officer, employee or agent of the City or the Trustee in his or her individual capacity, and neither the councilors of the City or directors of the Trustee or any of their directors, employees or agent executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of their issuance. No director, officer, employee, agent or advise of the rpursant to this Indenture provided such director, officer, employee, agent or adviser acts in good faith.

Section 608. Severability of Invalid Provisions. If any clause, provision or section of selenture is held to be illegal or invalid by any court, the invalidity of the clause, provision

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IN WITNESS WHEREOF, the parties have caused this Indenture to be executed on

CITY OF NORFOLK, VIRGINIA

## By: \_\_\_\_\_ Mayor [SEAL] ATTEST: By: \_\_\_\_\_\_\_Clerk of the Council Approved as to Form and Correctness: Office of the City Attorney City of Norfolk, Virginia REGIONS BANK, as Trustee

or section will not affect any of the remaining clauses, provisions or sections, and this Indenture will be construed and enforced as if the illegal or invalid clause, provision or section had not will be construed an been contained in it.

Section 609. Successors and Assigns. This Indenture is binding upon, inures to the benefit of and is enforceable by its parties and their respective successors and assigns.

Section 610. Severability. If any provision of this Indenture is held invalid by any court of competent jurisdiction, such holding will not invalidate any other provision.

Section 611. Governing Law. This Indenture will be governed by and construed under the applicable laws of the Commonwealth.

Section 612. Counterparts. This Indenture may be executed in several counterparts, each of which will be an original, and the counterparts will together constitute one and the same

EXHIBIT A-1

[FORM OF VARIABLE RATE BOND]

#### [FORM OF VARIABLE RATE BOND]

No. R-\_

CUSIP

## UNITED STATES OF AMERICA COMMONWEALTH OF VIRGINIA

#### CITY OF NORFOLK, VIRGINIA GENERAL OBLIGATION VARIABLE RATE DEMAND BONDS, SERIES 2007 (AMT)

ISSUE DATE	MATURITY DATE	E INTEREST RATE
, 20	, 20	_%
REGISTERED OWNER:	CEDE & CO.	
PRINCIPAL AMOUNT:		AND 00/100 DOLLARS
PRINCIPAL AMOUNT	(S)	

The CITY OF NORFOLK, VIRGINIA (the "Cipi"), for value received, acknowledges itself indebted and promises to pay to the registered owner of this Bond or such owner's attorney or legal representative the principal amount stated above on the maturity date set forth above and to pay interest on the principal amount of this Bond from and including the most recent date to which interest shall have been paid hereon, or for in interest has been paid hereon, from the date of initial issuance and delivery of the Bonds (as defined herein), until payment of such principal amount of this Bond has been made or duly provided for in accordance with the Indentura (as defined herein), which interest shall be payable at a Daily Rate, Weekly Rate, Monthly Rate, Medium Term Rate or Commercial Paper Rate (seek) as defined in the Indentura of described herein). Interest on Purchased Bonds or Credit Provider Bonds shall be paid at the rate and in accordance with the provisions of the Liquidity Facility or Credit Facility (as defined in the Indenture), respectively, currently in effect. Principal of and premium, if any, and interest on this Bond are payable in Inswful money of the United States of America.

The principal of and premium (if any) on this Bood, and interest accrued hereon prior to an Interest Payment Date (as defined herein), are payable at the designated corporate trust office of Regions Bank, as bond trustee (the "Trustee," which term includes any successor Trustee appointed in accordance with the Indenturue, acting as Paying Agent spointed in accordance with the Indenturue, or at the designated office of any successor Paying Agent spointed in accordance with the Indenturue, upon presentation and surrender hereof as the same become due. The interest so, payable, on, any applicable Interest Payment Date shall be paid to the Owner (as defined herein) in whose name this Bond is registered at the close of bissiness on the Record Date (as defined herein) preceding the Interest Payment Date, by check mailed to such Owner at such

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on February 27, 2007. This Bond is executed under and secured by an Indenture of Trust dated as of March 1, 2007 (the "Indenture"), between the City and the Trustee, to (a) finance the acquisition, construction, and equipping of an approximately 80,000 square foot cruise ship center, which will include docking areas and meeting space, to be owned and operated by the City and (b) pay the issuance costs of the Bonds.

- 2. <u>Definitions</u>. Each of the following terms, as used herein, shall have the meaning given to such term by the language employed in this paragraph defining such term, unless the context clearly indicates otherwise. Any other term used herein as a defined term, but which is not defined in this paragraph or elsewhere herein, shall have the meaning given to such term by the Indenture, unless the context clearly indicates otherwise.
- "Additional Credit Facility" means any insurance policy, surety bond, letter of credit or line of credit or similar agreement satisfactory to the City and the Trustee obtained to provide credit support for the Variable Rate Bonds in accordance with Section 508.
- "Alternate Credit Facility" means a letter of credit, a liquidity guarantee, a standby bond purchase agreement, a municipal bond insurance policy, a surety bond, line of credit, or other similar agreement or credit enhancement satisfactory to the City, as amended, supplemented or extended from time to time.
- "Alternate Liquidity Facility" means an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the Variable Rate Bonds and Medium Term Rate Bonds, as amended, supplemented or extended from time to time.
- "Authorized Denominations" means, (1) with respect to any Series 2007 Bond bearing interest at a Variable Rate or a Medium Term Rate, \$100,000 or multiples of \$5,000 in excess thereof and (2) with respect to any Series 2007 Bond bearing interest at a Fixed Rate, \$5,000 or any integral multiple thereof.
  - "Bank" means the provider of a Credit Facility or Liquidity Facility, as the case may be.
- "Bond Counset" means any firm of nationally recognized municipal bond attorneys selected by the City and experienced in the Issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for Federal income tax purposes.
- "Bond Registrar" initially means Regions Bank and any subsequent Bond Registrar opointed to serve as Bond Registrar hereunder who shall also be the Paying Agent.
- "Bonds" means the City's General Obligation Variable Rate Demand Bonds, Series 2007 (AMT).
- "Business Day" means a day on which the Trustee, any Qualified Swap Provider, the Remarketing Agent, the Bank or banks or trust companies in New York, New York are not sutherized or required to remain closed and on which-the-New-York-Stock-Exchange-is-not advantaged.

Owner's address as it appears on the registration books maintained by the Bond Registrar (as defined herein).

During any period in which the Bonds bear interest (1) payment of interest on the Bonds may (except as otherwise provided for Purchased Bonds), at the option of any Owner of Bonds in an aggregate principal amount of at least \$1,000,000, be transmitted by wire transfer to such Owner, on written request therefor delivered to the Bond Registrar, to the bank account number on file with the Bond Registrar as of the relevant Record Date, (2) principal or redempinion price of and interest on each Commercial Paper Bond will be payable (by check mailed or, if presented and surrendered by 12:30 pm. New York City time, by wire transfer) on presentation and surrender of such Bond on or after the due dates for such payments at the principal office of the Paying Agent, and (3) all payments of principal or redemption price of and interest on Purchased Bonds will be by wire transfer in immediately available funds as provided in the Liquidity Facility.

Payment of the principal of, premium (if any) and interest on, and the purchase price of, this Bond shall be in any coin or currency of the United States of America which, at the respective times of payment, is legal tender for the payment of public and private debts. If any payment of the principal of, premium (if any) or interest on, or purchase price of, this Bond is due on a day that is not a Business Day, such ayament will be made on the next succeeding Business Day, and no interest will accrue on the amount of such payment during the intervening period.

IN CERTAIN CIRCUMSTANCES THIS BOND MAY BE DEEMED TO HAVE BEEN TENDERED AND PURCHASED OR PAID PRIOR TO THE MATURITY DATE HEREOF, AS DESCRIBED HEREIN.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the Bond Registrar or a duly authorized authenticating agent, by execution of the certificate of authentication inscribed hereon.

The full faith and credit of the City are irrevocably pledged for the payment of the principal of, premium, if any, and interest on this Bond in accordance with its terms. The Council of the City is authorized to and shall levy and collect amounts), at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of, premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

General Obligation Variable Rate Demand Bonds, Series 2007 (AMT), in the aggregate principal amount of \$33,00,000 (the 'Bloods'), issued under and pursuant to the Public Firmance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1960, as amended, Chapter 514 of the Acts of Assembly of 1983, Section 147(f) of the Internal Revenue Code of 1986, as amended, and Ordinance No. 42,565 (the 'Ordinance') adopted by the Council of the City (the 'Council')

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"City" means the City of Norfolk, Virginia, a political subdivision of the

"City Council" or "Council" means the City Council of the City of Norfolk, Virginia.
"Code" means the Internal Revenue Code of 1986, as amended.

"Commercial Paper Bonds" means Bonds bearing interest at the Commercial Paper

"Commercial Paper Rate" means with respect to each Commercial Paper Bond, the interest borne by such Bond pursuant to Section 204(b)(i).

"Commercial Paper Period" means the Interest Period for any Commercial Paper Bond, then in effect, such Interest Period may not extend beyond the 15th day preceding the Credit Explication Date or if such 15th day is not a Business Day, the Immediately preceding Business Day.

"Conversion" means the conversion of the interest rate on the Bonds from one interest rate mode to another interest rate mode in accordance with the provisions of the Indenture.

"Conversion Date" means the Interest Payment Date which is the effective date of any Conversion.

"Coverage Amount" means, as of any given date, an amount equal to the principal amount of Bonds Outstanding secured by the Credit Facility or the Liquidity Facility in question plus (1) during any Commercial Paper Period or Medium Term Rate Period, such number of days' interest on the Bonds as may be required to maintain the ratings then in effect on the Bonds, (2) during any Daily Rate Period, Weekly Rate Period or Monthly Rate Period, 33 days' interest on such Bonds, computed at a rate per annum equal to the Maximum Rate or (3) such other number of days as will not adversely affect the rating their in effect on such Bonds.

"Credit Expiration Date" means the date which is 5 Business Days before the Credit Facility or Liquidity Facility, as the case may be, is to terminate or expire, including any extension of such date, unless provision has been made in accordance with Sections 207(d) and 506 for the delivery of an Alternate Loredif Facility or an Alternate Liquidity Facility, as the case may be, which does not result in the ratings then in effect on the Bonds being reduced or withdrawn.

"Credit Facility" means a letter of credit, a liquidity guarantee, a standby bond purchase agreement, a municipal bond insurance policy, a surety bond, line of credit, or other similar agreement or credit enhancement satisfactory to the City, as amended, supplemented or extended from time to time and shall also include any Alternate Credit Facility.

"Credit Provider" means the provider of the Credit Facility then in effect

"Credit Provider Bonds" has the meaning ascribed to such term in Section 209(c) hereof.

"Credit Provider Rate" shall at any date of determination have meaning ascribed thereto Credit Facility or the Liquidity Facility, as the case may be, in effect on such date. in the Credit Fac

"Daily Rate" means the interest rate determined in accordance with Section 204(b)(ii).

"Daily Rate Bonds" means the Bonds bearing interest at the Daily Rate

"Daily Rate Period" means the period beginning on the date of determination of the Daily Rate and ending on the date of determination of a new Daily Rate or the next Conversion Date.

"Electronic Means" means telecopy, telegraph, telex, facsimile transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

"First Optional Redemption Date" means August 1, 2015.

"Fitch" means Fitch Inc., duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency. Fitch' shall be deemed to refer to any other recognized municipal securities rating agency designated by the City other than Moody's or Standard and Poor's and acceptable to the Liquidity designated Purchaser.

"Fixed Rate" means the Fixed Rate established in accordance with Section 204(b)(iv).

"Fixed Rate Bonds" means Bonds bearing interest at a Fixed Rate.

"Fixed Rate Conversion Date" means the effective date of a Fixed Rate established in lance with Section 206.

"Fixed Rate Period" means the period during which the Bonds bear interest at the Fixed Rate, which period ends on the maturity date of the Bonds.

"Interest Payment Date" means (1) for all Daily Rate Bonds, Weekly Rate Bonds and Monthly Rate Bonds, the first Business Day of each calendar month; (2) for each Commercial Paper Bond, the Rate Adjustment Date Immediately following the Commercial Paper Period for which such interest accreted; (b) for Montan Term Rate Bonds or Fixed Rate Bonds, each August 1 and February 1; (4) the date of mandatory tender under Sections 206 and 207, and (5) the maturity date of the Bonds.

"Interest Period" means (1) with respect to each Daily Rate Bond, Weekly Rate Bond or Monthly, Rate Bond, the Daily Rate Period, Weekly Rate Period or the Monthly Rate Period applicable thereto or (2) with respect to each Commercial Paper Bond, Modium Term Rate Bond

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(iii) Bonds in lieu of others which have been authenticated under Section 219 or Section 222.

"Owner" means the bondholder of any Bonds.

"Paying Agent" means initially Regions Bank and any subsequent Paying Agent appointed to serve as Paying Agent hereunder,

"Purchased Bonds" shall mean Variable Rate Bonds or Medium Term Rate Bonds, if applicable, purchased by the Liquidity Purchaser for so long as such Variable Rate Bonds are subject to the Purchased Bonds Rate.

"Purchased Bonds Rate" shall, at any date of determination, have the meaning ascribed thereto in the Liquidity Facility in effect on such date. For purposes of the Indenture, the Purchased Bonds Rate shall not supply when Variable Rate Bonds or Medium Term Rate Bonds, if applicable, cease to be Purchased Bonds.

"Purchase Date" means, (1) for a Commercial Paper Bond, the Rate Adjustment Date following the current Commercial Paper Period as set forth in Section 207(b); (2) for Daily Rate Bonds, the Business Day as set forth in Section 207(a)(i); (3) for Weekly Rate Bonds, the Business Day as set forth in Section 207(a)(ii); (4) for Monthly Rate Bonds, the Business Day as set forth in Section 207(a)(iii); (5) for Modium Term Rate Bonds, the Business Day as set forth in Section 207(a)(iii); (5) for Modium Term Rate Bonds, the Business Day as set forth in Section 207(a)(iv); and (6) for all Bonds, any Business Day on which Bonds are subject to mandatory purchase pursuant to Section 207(c),(d) and (e).

"Purchase Price" means an amount equal to the aggregate principal amount of Bonds tendered for purchase plus, if the Purchase Date is not an Interest Payment Date, accrued interest to the Purchase Date.

"Rate Adjustment Date" means, with respect to Commercial Paper Bonds, the Business Day immediately following the end of the preceding Commercial Paper Papplicable to such Bond.

"Rating Agency" means Moody's, S & P or Fitch.

"Record Date" means (i) with respect to the Daily Interest Rate Period, Weekly Interest Rate Period and Monthly Rate Period, the Business Day immediately preceding the Interest Payment Date and (ii) with respect to the Medium Term Rate Period and the Fixed Interest Rate Period, the 15th day of the immediately preceding calendar month.

"Remarketing Agent" means the initial purchaser of the Series 2007 Bonds accessor Remarketing Agent appointed by the City and reasonably acceptable to the

"Remarketing Agreement" means the agreement entered into by the City and the keeing Agent pursuant to Section 403 hereof.

or Fixed Rate Bond, that period beginning on an Interest Payment Date or a Conversion Date through and including the date preceding the next Interest Payment Date.

"Liquidity Facility" means an irrevocable letter of credit and related reimbursemen agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the Variable Rate Bonds and Medium Term Rate Bonds, is applicable, as amended, supplemented or extended from time to time and shall also include any Alternate Liquidity Facility.

"Liquidity Purchaser" means the provider of the Liquidity Facility then in effect

"Medium Term Rate Bonds" means the Bonds bearing the Medium Term Rate.

"Medium Term Rate" means the interest rate determined in accordance with Section 204(b)(vi).

"Medium Term Rate Period" means the period beginning on a Conversion Date after which the Bonds will bear interest at a Medium Term Rate and ending on the next succeeding

"Monthly Rate" means the interest rate determined in accordance with Section 204(b)(v).

"Monthly Rate Bonds" means the Bonds bearing the Monthly Rate.

"Monthly Rate Period" means (1) the period beginning on a Conversion Date and ending on the day preceding the first Business Day of the month following such Conversion Date and (2) the period beginning on the first Business Day of a calendar month and ending on the day preceding the first Business Day of the following calendar month.

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, and it such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's" shall be deemed to refer to any other recognized municipal securities rating agency designated by the City other than Flich or Standard and Poor's and acceptable to the Liquidity Purchaser.

"Outstanding" means, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, all Bonds that have been authenticated and delivered by the Bond Registrar hereunder, except:

(i) Bonds cancelled or delivered for cancellation at or prior to such

(ii) Untendered Bonds to the extent that there is on deposit with the Remarketing Agent or the Tender Agent on the Purchase Date thereof an amount to pay the Purchase Price thereof as provided herein; and

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"Series 2007 Bonds" means the City's General Obligation Variable Rate Demand Bonds, Series 2007 (AMT)

"Standard and Poor's" or "S & P" means Standard & Poor's Ratings Service, Inc., duly organized and existing under and by virtue of the laws of the Saite of New York, and its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no long-partiem the function of a municipal securities rating agency. Standard and Pool's' shall be deemed to refer to any other recognized municipal souries rating agency designated by the City other than 1 little of bloody's and acceptable to the Liquidity Purchaser.

"Tender Agency Agreement" means the agreement entered into by the City with the Tender Agent pursuant to Section 401.

"Tender Agent" means the party so designated in the Tender Agency Agreement at tender agent and any successor or successors thereto as shall be appointed pursuant to Sec 401 of the Indenture.

"Trustee" shall initially mean Regions Bank or any agent selected by the City to serve as Trustee hereunder.

"Variable Rate Bonds" means the Commercial Paper Bonds, the Daily Rate Bonds, the Weekly Rate Bonds and the Monthly Rate Bonds.

"Variable Rate Period" means the period during which the Bonds bear interest at the Variable Rate.

"Variable Rate" means the Commercial Paper Rate, the Daily Rate, the Weekly Rate and the Monthly Rate.

"Weekly Rate" means the interest rate determined in accordance with Section 204(b)(iii).

"Weekly Rate Bonds" means the Bonds bearing the Weekly Rate

"Weekly Rate Period" means the period beginning on, and including any Wednesday (or, if not a Business Day, on the next succeeding Business Day) and ending on, and including the then next Tuesday (or the day immediately preceding the first day of the next Weekly Rate Period for Weekly Rate Bonds), except that (1) the first "Weekly Rate Period" for the Bonds means the period beginning on the date the Bonds are issued and ending on the next succeeding Tuesday or the day immediately preceding the first day of the next Weekly Rate Period" means the period beginning on the Conversion to Weekly Rate Bonds, the first "Weekly Rate Period" means the period beginning on the Conversion Date and ending on the next succeeding Wednesday (or the day immediately preceding the first day of the next Weekly Rate Period to Weekly Rate Bonds).

Picdae of Full Faith and Credit. The full faith and credit of the City are irrevocably pledged for the payment of the principal of, premium, if any, and interest on the Bonds. The Council is authorized to and shall levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all

taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of, premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

appropriates for such purpose.

4. Reference to Documents. Reference is hereby made to the Indenture, Tender Agency Agreement, Remarketing Agreement and the Liquidity Facility Agreement, copies of which are on file with the Trustee, for the provisions, among others, with respect to (a) the nature and extent of the rights, daties and obligations of the City, the Trustee, the Registrat, the Paying Agent, the Remarketing Agent, and the Owners of the Bonds, and certain rights of the Liquidity Purchaser, (b) the provisions under which the Bonds Outstanding under the Indenture, and all excerced and unpaid interest thereon, may become or may be declared due and payable before the stated maturity thereof, (c) provisions under which the Bonds the Intenture may be discharged, and (d) provisions relating to the modification and amendment of the Indenture. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture, Tender Agency Agreement, Remarketing Agreement and Liquidity Facility Agreement, all of which are incorporated herein by reference.

#### 5. Interest Rate.

- 5. Interest.Rate.

  (a) Gineral. The Bonds will initially bear interest at the Weckly Rate determined at public sale and thereafter at the rate set forth in Section 204 of the Indenture. Each Bond will evidence the right to receive interest, at a Variable Rate or a Medium Term Rate determined from time to time, or at a Fixed Rate, from and including the date of such Bond until payment of the principal or redemption price thereof has been made or provided for in accordance with the provisions bereof, whether at maturity, or redemption or otherwise, Interest for each Interest Period will be paid on the next succeeding Interest Payment Date and, while the Bonds pay interest at a Variable Rate, will be computed on the basis of a year of 360 at 366 atys, as appropriate, for the actual number of days elapsed, while the Bonds pay interest at the Needlin Term Rate or the Fixed Rate, computed on the basis of a year of 360 days, and welve 30-day months, provided that while any Bonds pay interest at the Credit Provider Rate, interest on such Bonds will be payable on the dates and in the amounts calculated by the Credit Provider Cate, interest of the Credit Racility as provided to the Trustee in writing, and, provide rate, interest of the Credit Racility as provided to the Trustee in writing, and, provide the Liquidity Parchise Bonds Payment Brustee in the Made and the Practice of the Provider Rate of the Practice of the Pra
- (b) <u>Certain Interest Rates.</u> Interest rates will be determined as follows for Commercial Paper Bonds, Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds, Medium Term Rate Bonds and Fixed Rate Bonds.
- (i)....(A). For each Commercial Paper Bond, the interest rate will be that annualized rate established by the Remarketing Agent on or before 12:30 p.m., New York City

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Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any.

- (iv) For Fixed Rate Bonds, the interest rate will be an annual rate established by the Remarketing Agent on or before the Fixed Rate Conversion Date which is the minimum fixed interest rate necessary, in the best professional judgment of the Remarketing Agent, taking into account prevailing market conditions, to enable the Remarketing Agent to sell all of the Bonds in the secondary market at a price equal to the principal amount thereof.
- Period will be the rate catabilished by the Remarketing Agent on the first Business Day of such Monthly Rate Period, which is the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to termarket all of the Boods in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any.
- rate is set at a price equal to the principal amount thereof, plus accrued interest, if any, 
  (vi) For Medium Term Rate Bonds, the interest rate for any Medium Term Rate Period will be the rate established by the Remarketing Agent on the first Business Day of such Medium Term Rate Period, which is the minimum rate of interest necessary, in the set professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any. For each Medium Term Rate Bond, each Purchase Date and the related Medium Term Rate Period for such Bond as being the Purchase Date and Medium Term Rate Period for such Bond as being the Purchase Date and Medium Term Rate Period for such Bond as being the Purchase Date and Medium Term Rate Period for such Bond as being the Purchase Date and Medium Term Rate Period for such Bond as being the Purchase Date and Medium Term Rate and the Purchase Date and Medium Term Rate Period may not extend beyond a Conversion Date.
- Rate. The Credit Provider Bonds will bear interest at the Credit Provider Rease. The Credit Provider will calculate the Credit Provider Rate in accordance with the Credit Facility and notify the Trustee and the Paying Agent of the Credit Provider Rate. Purel Bonds will bear interest at the Purchased Bonds Rate. The Liquidity Purchaser will calculate the Purchased Bonds Rate in accordance with the Liquidity Facility and notify the Trustee and the Paying Agent of the Purchased Bonds Rate.
- shall operate in only one interest rate period. References to Commercial Paper Bonds, ball operate in only one interest rate period. References to Commercial Paper Bonds, Daily Rate Bonds, Wockly Rate Bonds, Monthly Rate Bonds, Medium Term Rate Bonds or Fixed Rate Bonds and Bonds Rate Salall not apply when Variable Rate Bonds or Medium Term Rate Bonds, as applicable, cease to be Purchased Bonds.
- (c) Notification of Interest Rate. The Remarketing Agent will promptly advise in writing the Trustee, the Paying Agent and the City of all interest rates determined by it under Section 204(b)(i)(A), (ii), (iii), (iv), (v) and (vi) and, for Medium Term Rate Bonds and

time, on the first day of the related Commercial Paper Period which, from among various interest rates established from time to time by the Remarketing Agent, is the interest rate necessary, in the best professional judgment of the Remarketing Agent, aking into account prevailing market conditions, to enable such Commercial Paper Bond to be sold in a secondary market transaction on the first day of such Commercial Paper Period at a price equal to par plus accrued interest, if

- (B) For each Commercial Paper Bond, each Purchase Date and the first day of each Commercial Paper Period will be established by the Remarketing Agent on or prior to the first day of each Commercial Paper Period for such Bond as being the Purchase Date and Commercial Paper Period permitted hereunder which, in the best professional judgment of the Remarketing Agent, taking into account prevailing market conditions, will ultimately produce to lowest overall net intenset sorts to the City for the Bonds until their maturity; provided that Commercial Paper Period must be from 1 to 270 days in length and may not extend beyond a Conversion Date or any date set for redemption, and the first day next succeeding each Commercial Paper Period must be a Business Day.
- (C) Notwithstanding subparagraph (B) above, (1) If a Credit Facility or Liquidity Facility is in effect and if no Additional Credit Facility or Alternate Liquidity Pacility has been delivered under Section 506 or 508, as applicable, then no new Commercial Paper Period will be testablished for any Bond unless the laterest Payment Date for such Commercial Paper Period occurs before the Credit Expiration Date and the aggregate principal amount of the Commercial Paper Bonds Outstanding and the interest due on each Interest Payment Date charing the Commercial Paper Period obes not exceed the Coverage Amount, and (2) if the City has previously determined to convert the interest rate mode for the Bonds from the Commercial Paper Road, so new Commercial Paper Period for any such Bond to be converted will be catalished unless the last day of such Commercial Paper Period occurs before the Conversion Date.
- (ii) For Daily Rate Bonds, the interest rate for any Daily Rate Period will be the rate established by the Remarketing Agent by 11:00 a.m. New York City time on each Business Day which is equal to the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to the remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any. The Daily Rate shall be effective on the day of its determination to, but not including, (a) the date of determination of a new Daily Rate or (b) the next Conversion Date. The Remarketing Agent that determination of a new Daily Rate or (b) the next Conversion Date. The minimum interest rate for such day, if a day is not a Business Day, then the Daily Rate shall be the Daily Rate of a Business Day, then the Daily Rate shall be the Daily Rate determined for the immediately preceding Business Day.
- (iii) For Weekly Rate Bonds, the interest rate for any Weekly Rate Period will be the rate established by the Remarketing Agent on the first day of such Weekly Rate Period which is the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the

Commercial Paper Bonds, all Interest Periods, principal amounts, Owners and Purchase Dates. Any determination of an interest rate and, in the case of Commercial Paper Bonds, determination of each Purchase Date, the next Rate Adjustment Date and the related Commercial Paper Period is conclusive and binding on the City, the Trustee, the Paying Agent, the Remarketing Agent, the Credit Provider, the Liquidity Purchaser and the Owners.

- 6. Fallure to Compute Interest Rates: Ineffective Interest Rates. If the Remarketing Agent no longer determines, or fails to determine, when required, an interest rate pursuant to paragraph 6 (b)(f)(A), (ii), (iii), (iv), (v) or (vi) above, or if fea any reason such manner of determination is held to be invalid or unenforceable by a count of law, the interest rates for the next Interest Period will be determined by the Trustee as follows:
- (d) For Commercial Paper Bonds, if the Remarketing Agent does not determine an interest rate pursuant to Section 204(b)(i)(A) for one or more Commercial Paper Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Commercial Paper Period.
- (e) For Daily Rate Bonds, if the Remarketing Agent does not determine an interest rate pursuant to Section 204(b)(ii) for one or more Daily Rate Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Daily Rate Period.
- (f) For Weekly Rate Bonds, if the Remarketing Agent does not determine an interest rate pursuant to Section 204(b)(iii) for one or more Weekly Rate Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Weekly Rate Period.
- (g) If the Remarketing Agent no longer establishes or fails to establish when required, a Commercial Paper Period for a Commercial Paper Bond pursuant to Section 204(b)(2)(B), so the Commercial Paper Period and all succeeding Commercial Paper Periods for such Bond will be that Commercial Paper Period which results in each succeeding Purchase Date for such Bond being the next Business Day until such time as the Remarketing Agent again establishes a Commercial Paper Period for such Bond.
- (h) For Monthly Rate Bonds, if the Remarketing Agent does not determine an interest rate pursuant to Section 204(b)(v) for one or more Monthly Rate Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Monthly Rate Period.
- For Medium Term Rate Bonds, if the Remarketing Agent does not determine an interest rate or Medium Term Rate Period, pursuant to Section 204(b)(vi) for one or more subsequent Medium Term Rate Periods, the interest rate and the duration of next hedium Term Rate Period will be that interest rate and the duration of such hedium Term Rate Period will be that interest rate borne by such Bonds during the preceding Medium Term Rate Period.

#### 7. Conversion of Interest Rate.

The interest rate on the Bonds is subject to Conversion to another interest mode, except from a Fixed Rate to another interest rate mode, in whole and not in part, at the option of the City, by mailing a notice thereof to the Trustee, the Credit Provider, Liquidity Purchaser, the Paying Agent and the Remarketing Agent at least 30 days before the Conversion Date and, if the Conversion is from the Commercial Paper Rate to another mode, subject to the limitations set forth at the end of this subsection (a), accompanied by a preliminary written opinion of Bond Counsel stating that such Conversion is suthorized and in accordance with the gross income of the recipient thereof for federal income tax purposes. On the Conversion Date, as a necessary condition to such Conversion, the City must deliver to the Trustee an epipion of Bond Counsel dated the Conversion Date, of Conversion that is a date on which the Bonds are subject to optional redemption, (2) if the Conversion Date is a date on which the Bonds are subject to optional redemption, (2) if the Conversion Date is a date on which the Bonds are subject to optional redemption, (2) if the Conversion Date is a date on which the Bonds are subject to optional redemption, (2) if the Conversion Date is a date on which the Bonds are subject to optional redemption, (2) if the Conversion Date is a date on which the Bonds are subject to optional redemption, (2) if the Conversion Date is a date on which the Bonds are conversion that Conversion and (4) for a Conversion to the Conversion Conversion and (4) for a Conversion to the Subdish that the rainings than the Conversion of the Conversion of the Conversion and the Conversion of the Conversion of the Conversion and the Conversion that conversion is given and for purposes of Conversion, the Remarketing Agent shall determine the duration of the Commercial Paper Period for any Bond, but only on a day immediately following and the Conversion Date.

(b) If the conditions to a Conversion referred to in subsection (a) of this Section are

(b) If the conditions to a Conversion referred to in subsection (a) of this Section are not satisfied on the Conversion Date, the proposed Conversion will not take place and interest on the Bonds will remain in the same interest rate mode.

(e) (i) The Trustee will give notice by first class mall to the Owners not less than 25 days before the Conversion Date. Such notice will state (A) that such Bonds are being converted, as set forth in the notice from the City; (B) the Conversion Date; (C) the date and intended method by which the interest are will be determined and the procedure, which may include the furnishing of a telephone number which Owners can call, for interming such owners whether the conditions for Conversion have been met and, if so, the application of the state of the conversion of the procedure, which may include the furnishing of a telephone number which Owners can call, for the application of the procedure, and the conversion of the procedure of

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notice to the Liquidity Purchaser or the Credit Provider, as the case may be, at a redemption price equal to the principal amount thereof plus interest due thereon as provided in the Liquidity Facility or Credit Facility, as applicable. Purchased Bonds and Credit Provider Bonds an subject to mandatory redemption at such times and in such amounts as specified in the relate Liquidity Facility or Credit Facility, as the case may be.

In Selection of Bends to be Redeemed. In the event of redemption of less than all the Bonds identified by the City as being subject to optional redemption, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may determine; provided, however, the portion of such Bonds to be redeemed and the portion of such Bonds to be redeemed and the portion of such Bonds to be redeemed and provided farther, are Bonds which are Purchased Bonds as the Period to a value such Bonds as the redeemed and provided farther, are Bonds which are Purchased Bonds or Credit Provider Bonds shall be selected first. New Bonds representing the unredeemed balance of the principal amount of any such Bonds shall be issued to the registered Owner thereof, without charge therefor. Any new Bonds issued pursuant to this paragraph shall be executed by the City and authenticated by the Bonds Registrar and shall be in any Authorized Denominations in an aggregate unpaid principal amount equal to the unredeemed portion of the Bonds surrendered.

#### 12. Procedure for Redemption.

(a) The City shall give written notice to the Trustee and Bond Registrar of its election direction to redeem the Bonds at least thirty-five (35) days prior to the redemption date such shorter period as shall be acceptable to the Trustee.

(b) In the event my of the Bonds are called for redemption, the Trustee shall give notice or cause the Bond Registrar to give notice, in the name of the City, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redemped, the date fixed for redemption, the Redemption Price, and the place or places where amounts due upon useful redemption with be payable (which shall be the principal office of the Bond Registrar and, if less than all of the Bonds are to be redeemed, then numbers of the Bonds so to be redeemed, and, any of the Bonds are to be redeemed in part only, the respective portions of the givinelpal amount thereof to be redeemed and the letter and number or other distinguishing mark of each synthem the Bond, (ii) state any conditions to such redemption, and (iii) state that on the date fixed for redemption, and upon the satisfaction of any such conditions, the Bonds to be redeemed shall cease to bear interest. Such notice may set forth any additional information relating to such redemption.

(c) Notice of redemption of the Bonds shall be mailed or caused to be mailed, postage prepaid, by the Trustee (i) not less than thirry (30) days before the date fixed for redemption of Bonds, which have not been converted to a Fixed Interest Rate, and (ii) not less than thirry (30) days before the date fixed for redemption of Bonds, which have been converted to a Fixed Interest Rate, to the registered owners of any Bonds or portions of Bonds, which are to be redeemed, at their addresses as they appear on the Record Date on the registration books kept by the Bond Registrar. Failure of the registered owners of any Bonds, which are to be redeemed.

A copy of the notice of Conversion given to the Owners by the Trustee will also be given by the Trustee by Electronic Means to the City, the Bank and each Rating Agency then rating the

#### 8. Optional Redemption.

(a) The Variable Rate Boods are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date.

While the Bonds bear interest at a Variable Rate, the City anticipates that it will onds to be redeemed pursuant to this section, on August 1 in the years and in the cause the Bonds to be redeemed principal amounts set forth below:

Year	Amount	Year	Amount
2008	\$485,000	2023	\$1,015,000
2009	515,000	2024	1,060,000
2010	535,000	2025	1,120,000
2011	565,000	2026	1,170,000
2012	590,000	2027	1,230,000
2013	625,000	2028	1,290,000
2014	655,000	2029	1,355,000
2015	685,000	2030	1,425,000
2016	720,000	2031	1,495,000
2017	755,000	2032	1,570,000
2018	795,000	2033	1,650,000
2019	835,000	2034	1,730,000
2020	875,000	2035	1,820,000
2021	920,000	2036	1,910,000
2022	965,000	2037	2,005,000

(c) During any Medium Term Rate Period, the Bonds are subject to optional redemption by the City, on or after the First Optional Redemption Date, in whole or in part at any time, less than all of such Bonds to be selected by lot or in such other manner as the Trustee or the City, as applicable, shall determine, on the redemption dates and at the redemption prices (expressed as percentages of principal amount) to be determined by the City on or prior to the Conversion Date commencing such Medium Term Rate Period provided that such prices do not reflect a redemption premium exceeding 3%.

Mandatory Sinking Fund Redemption Provisions. The Bonds shall not be subject to mandatory sinking fund redemption.

10. <u>Redemption of Purchased Bonds or Credit Provider Bonds</u>. Purchased Bonds owned by the Liquidity Purchaser or Credit Provider Bonds owned by the Credit Provider, as a result of a purchase under the Liquidity Facility or Credit Facility, as the case may be, are subject to redemption at the option of the City in whole or in part, on the second Business Day after

receive any such notice, shall not affect the validity of the proceedings for the redemption of onds for which proper notice has been given.

Any Bonds and portions of Bonds, which have been duly selected for redemption and which are deemed to be paid in accordance with their terms, shall cease to bear interest on the date fixed for redemption in the notice of redemption referred to in paragraph (b) of this Section 306.

#### 13. Optional Demand Purchase; Mandatory Purchase.

(a) Optional Demand Purchase for Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds and Medium Term Rate Bonds

(i) Any Daily Rate Bond will be purchased, on the demand of the Owner thereof, on any Business Day designated by the Owner thereof (a "Purchase Date"). Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustee (at its designated office) not later than 10:00 a.m., New York City Time, on the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Daily Rate Bond to be purchased, (B) state the Purchase Date on which such Daily Rate Bond will be purchased pursuant to this subsection, and (C) irrevocably request such purchase.

(ii) Any Weckly Rate Bond will be purchased, on the demand of the Owner thereof, on any Business Day designated by the Owner thereof, on any Business Day designated by the Owner thereof (a "Purchase Date") which is not less than seven days after the date notice of such demand is delivered in writing to the Trustee. Any such purchase, the notice must be in writing and be delivered to the Trustee (at its designated office) not later than the seventh day before the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Weckly Rate Bond to be purchased, (B) state the Purchase Date on which such Weckly Rate Bond will be purchased to this subsection, and (C) irrevocably request such purchase.

(iii) Any Monthly Rate Bond will be purchased, on the demand of the Owner thereof, on any Business Day designated by the Owner thereof (a "Purchase Date") which is not less than seven days after the date of such demand is delivered in writing to the Trustee. Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustee (as its designated office) not later than the seventh day before the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Monthly Rate Bond to be purchased, (B) state the Purchase Date on which such Monthly Rate Bond will be purchased to on which such Monthly Rate Bond will be purchased to on which such Monthly Rate Bond will be purchased to this subsection, and (C) irrevocably request such purchase.

(iv) Any Medium Term Rate Bond will be purchased, on the demand of the Owner thereof, on the last Interest Payment Date in the Medium Term Rate Period therefor (a "Purchase Date") which demand shall not be less than 14 days prior to such Purchase Date. Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustee (at its designated officion on later than the 14" day before

the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Medium Term Rate Bond to be purchased, (B) state the Purchase Date on which such Medium Term Rate Bond will be purchased pursuant to this source of the purchase of purchased pursuant to this purchase of the purchase of the purchase of the purchase of the purchase Date for the small to Owners not more than 45 days not less than 55 days before a Purchase Date for Medium Term Rate Bonds, which notice shall state (A) what the next Purchase Date is, (B) where and when the proposed rate after the next Purchase Date may be obtained and (C) that the Medium Term Rate Bonds are subject to tender of the Owner thereof as set forth in the rerecoding sentence.

- (v) The Trustee will promptly provide the Remarketing Agent and the Paying Agent with telephonic notice of the receipt of the notice referred to in the preceding paragraphs, confirmed in writing or by facsimile.
- (vi) Any Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond or Medium Term Rate Bond with regard to which demand is made as set forth in this subsection will be deemed to have been tendered for purchase on any Purchase Date with respect thereto.

Delivery of such Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond or Medium Term Rate Bond (with an appropriate transfer of registration executed in form satisfactory to Trustee) at the designated office of Trustee at or prior to 10:00 a.m. (New York City Time) on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except on surrender of such Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds or Medium Term Rate Bonds as set forth herein.

(b) <u>Mandatory Purchase of Commercial Paper Bonds</u>. Each Commercial Paper Bond will be purchased, or deemed purchased, on the Rate Adjustment Date following the then current Commercial Paper Period relating to such Commercial Paper Bond (a "Purchase Date") at the Rayland Bode.

All Commercial Paper Bonds will be deemed to have been tendered for purchase on each Rate Adjustment Date with respect thereto. Delivery of such Commercial Paper Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) at the designated office of the Trustee at or prior to 10:000 am., New York Caty Time, on the Rate Adjustment Date will be required for payment in same-day funds of the Purchase Price due on such Rate Adjustment Date except on surrender of such Commercial Paper Bonds as set forth berein, If, however, an Owner will be entitled to payment of the Purchase Price due on such Rate Adjustment Date except on surrender of such Commercial Paper Bonds as set forth berein, If, however, an Owner of Devouce, on presentation of the Bonds as described herein, will receive interest and a new Commercial Paper Bonds purchase for the next Commercial Paper Period, when ocachange of each in payment of the principal thereof except to the extent the principal amount purchased differs from the amount surrendered.

(c) Mandatory Purchase on Conversion Dates. On any Conversion Date with respect to any Bonds whether or not a Conversion occurs for in each case the next Business Day, if not a

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written notice from the Credit Provider that an event of default under the Credit Facility has occurred and is continuing or from the Liquidity Purchaser that an event of default under the Liquidity Facility has occurred and is continuing, and in either case, and directing the Trustee to call the Bonds for mandatory tender under this Section 207(c), then the Trustee shall set the mandatory tender date to occur no later than the fifth calendar day following the date the Trustee receives such notice of an event of default under the Credit Facility or Liquidity Facility and the Trustee shall send notice to all Owners of the Bonds that the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price on the date set forth in said notice. After such notice is given, the Bonds will be subject to mandatory tender to the Trustee for purchase will be subject to mandatory tender to the Trustee for purchase will be subject to mandatory tender to the Trustee for purchase of the Trustee for purchase the Purchase Price on the date set forth in the Notice (a "Purchase Date").

All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in leaks in form satisfactory to the Trustee) at the designated office of the Trustee at or prior to 10:00 a.m., New York City time, on the Purchase Date will be required for payment in same-day finds of the Parthase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as set forth herein. Purchase of all Bonds by the Trustee purchased under this Section 207(e) will be effected only with funds described in Sections 208(b), (c) and (d).

- only with funds described in Sections 208(b), (c) and (d).

  14. Roads Deemed Tendered for Purchase. IF BONDS HAVE BEEN DEEMED TO HAVE BEEN DELIVERED FOR PURCHASE AS PROVIDED IN INDENTURE, THE AUTHENTICATE (AND THE CITY EXECUTE, IF PURCESSARY) A NEW BOND. THE TRUSTEE WILL PROMPTLY GIVE NOTICE BY FIRST CLASS MAIL TO EACH PEGISTERED OWNER WHOSE BONDS ARE DEEMED TO MAYE BEEN PURCHASED PURSUANT TO INDENTURE, WHICH NOTICE WILL STATE THAT INTEREST ON SUCH BONDS CEASED TO ACCRUE ON THE APPLICABLE PURCHASE DATE AND THAT MONEYS REPRESENTING THE PURCHASE PRICE OF SUCH BONDS ARE AVAILABLE AGAINST DELIVERY PURCHASE PRICE OF SUCH BONDS ARE AVAILABLE AGAINST DELIVERY THEREOF AT THE DESIGNATED OFFICE OF THE PAYNOR AGENT. THE PAYNOR AGENT THE RUST AND UNIVESTED, WITHOUT LIABILITY FOR PURCHASE OF BONDS. THE TRUST AND UNIVESTED, WITHOUT LIABILITY FOR DITTEREST THEREON, FOR THE BENEFIT OF THE PORMER OWNER OF THE BOND ON SUCH PURCHASE DATE, WHO WILL THEREATER BE RESTRICTED EXCLUSIVELY TO SUCH MONEYS, FOR ANY CLAIM OF WHATEVER NATURE ON HIS PART UNDER THE RODER TORS. THE REPLECT TO, SUCH BOND.
- 15. <u>Registration.</u> <u>Transfer and Exchange</u>. The City will cause books for the registration and registration of transfer or exchange of the Bonds to be kept at the principal office of the Bond Registrar. The City appoints the Bond Registrar as its registrar and transfer agent to keep such books and to make registrations and registrations of transfer or exchange under such reasonable regulations as the City or the Bond Registrar may prescribe.

Upon surrender for registration of transfer or exchange of any Bond at the principal office of the Bond Registrar, the City will execute and the Bond Registrar will authenticate and deliver in the name of the transferce or transferces a new Bond or Bonds of like date, tenor and of any

Business Day) (a "Purchase Date"), such Bonds must be delivered to the Trustee for purchase (with all necessary endorsements) at the Purchase Price.

All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in form satisfactory to the Trustee) at the designated office of the Trustee at or before 10:00 a.m., New York City Time, on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as set forth herein.

(d) Mandatory Purchase on Credit Expiration Date. If a Credit Facility or Liquidity Facility is in effect, the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price no later than the Credit Expiration Date if the Trustee has not received vidence satisfactory to it by the 25° day preceding the Credit Expiration Date of either an extension of the them existing Credit Facility or Liquidity Facility, as the Expiration Date of either an extension of the Indenture. The Trustee will give notice 20 days prior to the expiration of the Credit Facility or Liquidity Facility to all Owners that the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price on the date set forth in said notice. After such notice is given, the Bonds will thereafter be subject to mandatory tender for purchase at the Purchase Price on the date set forth in the notice (a "Purchase Date").

All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in form satisfactory to the Trusteey at the designated office of the Trustee at or prior to 10:00 a m., New York City time, on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as set forth herein. Purchase of all Bonds by the Trustee purchased under this Section 207(d) will be effected only with funds described in Sections 208(b), (c) and (d).

For purposes of the mandatory purchase contemplated by this Section 207(d), "Credit Expiration Date" will be deemed to include the effective date of any Additional Credit Facility or Alternate Liquidity Facility obtained by the City in connection with the Bonds. Additionally, for purposes of the mandatory purchase of this Section 207(d), "Credit Expiration Date" will be deemed to include the date which is 5 Business Days prior to the effective date of an Alternate Liquidity Facility for which the City has not received written evidence from the Rating Agencies then rating the Series 2007 Bonds will not change as a result of such substitution; provided, however, the Trustee shall provide written notice to the Series 2007 Bond Owners as soon as practicable of such substitution grantless of whether or not the then existing ratings on the Series 2007 Bonds will change as a result of such substitution grantless of whether or not the then existing ratings on the Series 2007 Bonds will change as a result of such substitution.

(e) Mandatory Purchase on Notice of Event of Default under the Credit Facility or Liquidity Facility. If a Credit Facility or Liquidity Facility is in effect and the Trustee receives

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authorized denomination for the aggregate principal amount which the Owner is entitled to receive, subject in each case to such reasonable regulations as the City or the Bond Registrar may prescribe. All Bonds presented for registration of transfer, exchange, redemption or payment will be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and substance reasonably satisfactory to the Bond Registrar, duly executed by the registred Owner or by the Owners' duly authorized attorney-in-fact or legal representative. No Bond may be registered to bearer.

New Bonds delivered upon any transfer or exchange will be valid obligations of the City evidencing the same debt as the Bonds surrendered and entitled to their benefits to the same extent as the Bonds surrendered. Registrations of transfers or exchange will be made by the Bond Registrar within such time periods as are customary in the municipal securities industry.

Neither the City nor the Bond Registrar shall be required to (i) to transfer or exchange Bonds for a period of 20 days next preceding an interest payment date on such Bonds or next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption; or (ii) to transfer or exchange any Bonds called for redemption.

It is certified and recited that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to the issuance of this Bond have happened, exist or been performed in due time, form and manner as so required and that the indebteness evidenced by this Bond is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Council of the City of Norfolk, Virginia, has caused this Bond to be signed by the manual signatures of the Mayor, the City Treasurer and the City Manager of the City, the seal of the City to be affixed hereon and attested by the manual signature of the Clerk of the Council, and this Bond to be dated March 29, 2007.

gnature of the Clerk of the Council, and t	his Bond to be dated March 29, 2007.
	CITY OF NORFOLK, VIRGINIA
	By: Mayor, City of Norfelk, Virginia
	By:
	By: City Treasurer, City of Norfolk, Virginia
[SEAL]	
ATTEST:	
Clerk of the Council, City of Norfolk, Virginia	
Approved as to Form and Correctness:	
Office of City Attorney City of Norfolk, Virginia	
	D-67

#### CERTIFICATE OF AUTHENTICATION

Authentication Date:	, 20		
		Ву;	Regions Bank, Bond Trustee

D-68

PLEASE PRINT OR TYPEWRITE NAME.	AND ADDRESS, INCLUDING ZIP CODE, O
SSIGNEE)	
LEASE INSERT SOCIAL SECURITY OR DENTIFYING NUMBER OF ASSIGNEE:	OTHER
the within Bond and does hereby irrevocably	constitute and
appoint.	
	, amorney, to transfer said Bor
	, attorney, to transfer said Bor with full power of substitution in the premises.
	, attorney, to transfer said Bor with full power of substitution in the premises.
the books kept for registration of said Bond, Dated:	, attorney, to transfer said Boo with full power of substitution in the premises.
	, attorney, to transfer said Bos with full power of substitution in the premises.
Dated:	attorney, to transfer said Boo with full power of substitution in the premises.
Dated:	attorney, to transfer said Bot with full power of substitution in the premises.  (NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the books kept for recistration of this Bond in

EXHIBIT A-2
[FORM OF FIXED RATE BOND]

#### [FORM OF FIXED RATE BOND]

No. R-\_

CUSIP

#### UNITED STATES OF AMERICA COMMONWEALTH OF VIRGINIA

#### CITY OF NORFOLK, VIRGINIA GENERAL OBLIGATION VARIABLE RATE DEMAND BONDS, SERIES 2007 (AMT)

ISSUE DATE	MATURITY DATE	INTEREST RAT
, 20	, 20	_5%
REGISTERED OWNER:	CEDE & CO.	
PRINCIPAL AMOUNT:		AND 00/100 DOLLARS
	(S)	

The CITY OF NORFOLK, VIRGINIA (the "City"), for value received, acknowledges itself indebted and promises to pay to the registered owner of this Bond or such owner's attorney or legal representative the principal amount stand above on the maturity date set forth above and to pay interest on the principal amount of this Bond at the rate apscilled above, subject to redemption, per annum, payable semi-annually on each August 1 and February 1. This Bond shall bear interest set forth above from and including the issue date set forth above; provided that, if at the time of authentication of this Bond interest on this Bond is ndefault, the Bond shall bear interest from the date to which interest has been paid. Principal of and perminn, if any, and interest on this Bond are payable in lawful money of the United States of America.

The principal of this Bond is payable upon presentation and surrender hereof at the office of Regions Bank, as Bond Registrar and Paying Agent (the "Bond Registrar"). Interest on this Bond is payable by check or draft mailed to the registered owner hereof without presentation of this Bond at such owners and deseas as it appears on the registrater dooks minimized by the Bond Registrar on the fifteenth day of the month preceding each interest payment date. If and for so long as The Depository Trust Company ("DTC") or Code & Eo. or any other nomineor OTDC is the registered owner of all of the Bonds (as defined below), the principal of and premium, if any, and interest on this Bond shall be paid pursuant to the additional requirements set forth in the City's Letter of Representations to DTC, as it may be amended from time to time (the "Letter of Representations").

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Registrar and, if DTC, Cede & Co. or any other nominee of DTC is registered owner of the Bonds to be refunded, in accordance with any additional requirements under the Letter of Representations. Any failure to mail such notice to any one or more registered owners shall not affect the validity of the proceedings for redemption with respect to any registered owner to whom such notice was properly mailed. Provided funds for their redemption are on deposit at the place of payment on the redemption date, all Bonds or portions thereof so called for redemption date, all Bonds or proints of the redemption and all Bonds or proints of the Sond shall not be deemed to be outstanding. If a portion of this Bond shall be called for redemption and whall not be deemed to be outstanding. If a portion of this Bond shall be called for redemption, an one Bond in principal amount equal to the unredeemed portion hereof will be issued to the registered owner upon the surrender of this Bond.

The Bonds are issuable as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Any Bond may be exchanged for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations at the principal office of the Bond Registrar.

Registrar, but City shall execute and the Bond Registrar shall authenticate and deliver in the name of the registered owner and/or the transfere or transferees, as appropriate, a new Bond Bonds of any authorized denomination in an aggregate principal amount equal to, and of the same form and maturity and bearing interest at the same rate, as this Bond, subject in each case to such reasonable regulations as the Council and the Bond Registrar may prescribe. All Bonds presented for transfer or exchange shall be accompanied by a written instruments or instruments of transfer or exchange shall be accompanied by a written instrument or instruments of transfer or exchange, in form and substance reasonably satisfactory to the Bond Registrar, duly executed by the registered owner or by his or her duly authorized somewing-in-fact or legal prepresentative. No Bond may be registered to bearer. Any such exchange transfer shall be at the expense of the City, except that the Bond Registrar may require payment by the person requesting such exchange or transfer of a sum sattleten to cover any text or other governmental charge which may be imposed with respect to the exchange or transfer of this Bond.

The City may designate a successor Bond Registrar and/or Paying Agent, provided that written notice specifying the name and location of the principal office of any such successor shall be given to the registered owner of each of the Bonds. Upon registration of transfer of this Bond, the Bond Registrar shall furnish written notice to the transferce of the name and location of the principal office of the Bond Registrar and/or the Paying Agent.

The Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of the principal and interest and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as the owner on the registration books on the Ifteenth day of the month preceding each interest payment date.

It is certified and recited that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to the issuance of this Bond have happened, exist or been performed in due time, form and manner as required and that the indebdeness evidenced by this Bond is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

Interest on this Bond shall be computed on the basis of a year of 360 days and twelve 30-day months.

This Bond shall not be valid or obligatory for any purpose unless and until authenticated at the foot hereof by the Bond Registrar.

This Bond is one of a series of \$33,000,000 General Obligation Variable Rate Demand Bonds, Series 2007 (AMT), of the City (the "Boods"), of like date and tenor, except as to number, denomination, rate of interest, privilege of redemption and maturity, issued under the authority of and in full compliance with the Constitution and statutes of the Commonwealth of Virginia, and, more particularly, issued pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended, and Ordinance No. 42,565 (the "Ordinance") adopted by the Council of the City (the "Council") on February 27, 2007.

The City is issuing the Bonds and using the proceeds of the sale thereof, along with other available City funds, to (a) finance the acquisition, construction, and equipping of an approximately 80,000 square foot cruise ship center, which will include docking areas and meeting space, to be owned and operated by the City and (b) pay the issuance costs of the Bonds.

The full faith and credit of the City are irrevocably pledged for the payment of the principal of, premium, if any, and interest on this Bond in accordance with its terms. The Council of the City is authorized to and shall levy and collect annually, at the same time and in taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of, premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

The Bonds are subject to optional redemption by the City on or after August 1, 2015, in whole or in part at any time, at ITHE REDEMPTION DATES AND REDEMPTION PRICES TO BE DETERMINED BY THE CITY PURSUANT TO SECTION 402 OF THE NOENTURE OF TRUST DATED MARCH 1, 2007, BETWEEN THE CITY AND REGIONS BANK 1

If less than all of the Bonds identified by the City are called for redemption, the maturities of the Bonds to be redeemed shall be selected by the Director of Finance of the City in such manner as hor sike in his or her discretion may determine. If less than all of the Bonds of any maturity are called for redemption, the Bonds or portions thereof to be redeemed within a maturity shall be selected by lot in such manner as the Director of Finance may determine, with each portion of \$5,000 principal amount being counted as one Bond for such purpose.

If any of the Bonds or portions thereof are called for redemption, the Bond Registrar shall send notice of the call for redemption identifying the Bonds or portions thereof to be redeemed by serial number and CUSIP number, the redemption date and price and the place where Bonds are to be surrendered for payment, by registered or certified mail not less than thirty days more than sixty days before the redemption date to the registered owner of each Bond to be redeemed at such owner's address as it appears on the registration books maintained by the Bond

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IN WITNESS WHEREOF, the Council of the City of Norfolk, Virginia, has caused this Bond to be signed by the manual signatures of the Mayor, the City Treasurer and the City Manager of the City, the scal of the City to estal cold the City to the admixed hereon and attested by the manual signature of the Citerk of the Council, and this Bond to be dated \_\_\_\_\_\_\_ 20\_\_\_

#### CITY OF NORFOLK, VIRGINIA

	Mayor, City of Norfolk, Virginia
By:	City Treasurer,
me e	City of Norfolk, Virginia
Ву:	City Manager, City of Norfolk, Virginia

[SEAL]

ATTEST:

Clerk of the Council, City of Norfolk, Virginia

Approved as to Form and Correctness:

Office of City Attorney City of Norfolk, Virgini

#### CERTIFICATE OF AUTHENTICATION

The undersigned B the City of Norfolk, Virgin	ond Registrar	hereby co n the with	rtifies that this is one in-mentioned Ordinar	of a series of i	Bonds of
Authentication Date:					
		By:			
			Regions Bank Bond Registrar		
					100

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APPENDIX B

Official Statement dated May 13, 2009

#### ASSIGNMENT

(PLEASE PRINT OR TYPEWRITE NAME ASSIGNEE)	AND ADDRESS, INCLUDING ZIP CODE, OF
PLEASE INSERT SOCIAL SECURITY OF IDENTIFYING NUMBER OF ASSIGNEE:	
the within Bond and does hereby irrevocably appoint	e constitute and
the heater beautifus explotentian of said Board	, attorney, to transfer said Bond
cranos.	with full power of substitution in the premises.
the books kept for registration of said Bond,  Dated:	
cranos.	
Dated:  Signature Guaranteed:  (NOTICE: Signature(s) must be guaranteed by an Eligible Guaranter	with full power of substitution in the premises.  (NOTICE: The signature above must correspond with the name
Dated:	with full power of substitution in the premises.  (NOTICE: The signature above

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NEW ISSUE Book-Entry-Only

SSS,280,000 S31,395,000 S44,710,000 General Obligation Refunding Improvement Bonds, Series 2009A Bonds, Series 2009B Bonds of Series 2009B Anticipation Note, Series 2009C

Dated: Date of delivery

Dated: Date of delivery

2009 A Bonds Der. Nevember 1, as there as the inside ever 2009C Wash Der. Devember 2, as there as the inside ever 2009C Nest Der. Date 2009C Nest De

In the opinion of Board Councel, moles correct low and assuming the compliance with certain coverants by and the accuracy of creative representations and certifications of the City and other persons and entities described in "Ext. Mattern" on apper, illustrate on the Boards (a) is excluded from the person income of the owners of the Boards for Federal income tax purposes under Section (10) of the Internal Revenue Code of 1996, as amended (on "Code") and (b) is not a specific from of its speciferor for persons of the federal informative minimum sen-sion individuals and corporations. Board Council is also of the opinion has interest on the 2009 Boards is includable in department of the Council in also of the opinion has interest on the 2009 Boards in includable in the specific correct corrections for purposes of the opinion and the 2009 Boards correct accuracy of certain corporations for purposes of the opinion and the 2009 Boards correct accuracy of certain corporations for purposes of the opinion and the 2009 Boards correct accuracy of certain corporations for purposes of the control opinion of the 2009 Boards correct accuracy of certain corporations for purpose of the 2009 Boards correct accuracy of certain corporations for purpose of the 2009 Boards correct accuracy of the corporations but interest on the 2009 Boards correct accuracy of 
exclusions from adjusted current earnings.

Boad Counsel is also of the opinion that interest on the Bonds is excludable from gross income for purposes of income tustion by the Commonwealth of Virginia (the "Commonwealth").

Boad Counsel expresses no equision regarding my other tax consequence related to the ownership or disposition of, or the accural or receipt of interest on, the Bonds.

See "Tax Matters" on page 7 regarding other tax considerations.

The Bonds are general obligations of the City. See page 6.

Authority for Issu Ordinance No. 43,428, adopted by the City Council of the City on May 5, 2009, authorizes the issuance of the Bonds.

The City will use these proceeds to (i) finance capital projects, (ii) current refund a pontion of the City's Caleband Obligation Capital Improvement and Refunding Bonds, Series 1994, (iii) advance refund a portion of the City's General Obligation Capital Improvement and Refunding Bonds, Series 2002 and (iv) pay costs of instance of the Bands. See page 4.

Interest on the 2009A Bonds will be payable semi-annually on November 1 and May 1, commencing November 1, 2009. Interest on the 2009B Bonds will be payable on January 1 and July 1, commencing January 1, 2010. Interest on the 2009C Note will be payable on March 1, 2010.

Book-Entry-Only; The Depository Trust Company. See page 2.

Closing/Delivery Date On or about May 21, 2009. Bond Counsel McGuireWoods LLP, Richmond, Virginia.

Financial Advisor Public Financial Management, Inc., Arlington, Virginia. Registrar/Paying Agent Acting Director of Finance of the City.

Acting Director of Finance of the City. (757) 664-4346. Issuer Contact

Dated: May 13, 2009

### CITY OF NORFOLK, VIRGINIA

## SS5,280,000 General Obligation Capital Improvement Bonds, Series 2009A

(Base CUSIP Number 655867)

Maturities, Amounts, Interest Rates, Yields and Prices

Year of Maturity (November 1)	Principal Amount	Interest Rate	Yield	Price	CUSIF Suffix
2010	\$4,520,000	2.000%	0.850%	101.647%	FP9
2011	4.565,000	2.000	1.100	102.164	FQ7
2012	4,615,000	2.000	1,400	102.010	FR5
2013	3,360,000	2.250	1.650	102.560	FS3
2014	3,385,000	2.500	2.000	102.566	PTI
2015	2,960,000	3.000	2.270	104.352	FUS
2016	2,985,000	3.250	2.500	105.064	FV6
2017	2,225,000	4:000	2.700	109.756	FW4
2018	2,225,000	4.000	2.900	109.039	FX2
2019	2,225,000	4.000	3.100	107.976	FY0
2020	2.225,000	4.000	3.300	106.140*	FZ7
2021	2,225,000	4.000	3.450	104.787*	GAI
2022	2,225,000	4,000	3.600	103.454*	GB9
2023	2,220,000	4.000	3,700	102.577*	GC7
2024	2,220,000	4.000	3.850	101.278*	GD5
2025	2,220,000	4.000	4,000	100.000	GE3
2026	2,220,000	4.000	4.100	98.760	GF0
2027	2.220,000	4.125	4.200	99.041	GGI
2028	2,220,000	4.250	4.300	99.343	GH
2029	2,220,000	4.375	4.400	99.662	GJ2

<sup>\*</sup> Priced to the first optional redemption date of November 1, 2019.

#### Optional Redemption

The 2009A Boods maturing on or before November 1, 2019 are not subject to optional redemption prior to maturity. The 2009A Boods maturing after November 1, 2019 are subject to optional redemption prior to their respective maturities on or after November 1, 2019 at the option of the City, in whole or in part (in increments of \$5.000) at any time, at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption.

#### CITY OF NORFOLK, VIRGINIA

#### CITY COUNCIL

Paul D. Fraim, Mayor

Anthony L. Burfoot, Vice Mayor Daun S. Hester Paul R. Riddick

#### MUNICIPAL OFFICIALS

Regina V.K. Williams, City Manager Allee M. Kelly, Acting Director of Finance Bernard A. Pishko, City Attorney

FINANCIAL ADVISOR BOND COUNSEL Public Financial Management, Inc. Arlington, Virginia McGuireWoods LLP Richmond, Virginia

# CITY OF NORFOLK, VIRGINIA \$21,895,000 General Obligation Refunding Bonds, Series 2009B

#### (Base CUSIP Number 655867)

Year of Maturity (July 1)	Principal Amount	Interest Rate	Vield	Price	CUSIP Suffix
 2010	\$6,095,000	4.000%	0.650%	103.702%	GK9
2011	5,950,000	3.000	1.250	103.634	GL7
2013	2,440,000	3.000	1.760	104.895	GN3
2014	2,395,000	5.000	2.130	113.826	GP8
2015	1.255,000	5.000	2.390	114.755	GU7
2016	1,255,000	5.000	2.600	115.487	G06
2017	1,255,000	5.000	2.800	115.861	GR4
2018	1,250,000	5.000	3.000	115.837	GS2

#### Optional Redemption

The 2009B Bonds are not subject to optional redemption or prepayment, respectively, prior to maturity.

## CITY OF NORFOLK, VIRGINIA

\$44,710,000 General Obligation Bond Anticipation Note, Series 2009C

(Base CUSIP Number 655867)

\$44,710,000 due March 1, 2010, Priced at 100.662% to Yield 0.395%, CUSIP Suffix GT0

#### Optional Redemption

The 2009C Note is not subject to optional redemption or prepayment, respectively, prior to maturity.

No dealer, broker, askermen or any other portun has been authorized by the City or the successful bidding to give any information or to make my representations with trapect to the City or Bonds issued thereby, either than those contained in this Official Statement, and if given or made, such other information or representations must use be relied upon a having bone sufficiently by the City or the successful bidden.

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#### Optional Redemption

The 2009A Bonds maturing on or before November 1, 2019 are not subject to optional redemption prior to maturity. The 2009A Bonds maturing after November 1, 2019 are subject to optional redemption of prior to their respective maturities or or after November 1, 2019 at the option of the City, in whole or in part (in increments of \$5,000) at any time, at par plus the Interest accrued on the principal smooth to be redeemed to the date frood for redemption.

The 2009B Bonds and the 2009C Note are not subject to optional redemption or prepayment,

If less than all of the 2009A Bonds maturing after November 1, 2019 are called for redemption, the maturities of spot 2009A Bonds to be redeemed shall be selected by the Director of Finance of the City in such maturer as he or the in his or her discretion may determine. So long as a book-curry system to such maturer as be or the control of the 2009A Bonds, if less than all of the 2009A Bonds within a maturity are to be redeemed. The Depository Trust Company, New York, New York ("DTC") and its participants shall determine which or the Bonds within a maturity are to be redeemed.

Any notice of optional redemption of the 2000-B Bonds may state that it is conditioned upon there being available on the redemption date an amount of mency sufficient to pay the redemption price plan interest accrued and untail to the best properties of the properties of the pay the redemption price plan interest accrued and untail to the best properties of the redemption price of any such conditions so specified is not statisfied. If a redemption of the option of the properties of the prop

Notice of redemption shall be given by certified or registered mail to DTC or its nomince as the registered owner of the 2009A Bonds. Such notice shall be mailed not more than 60 days not less than 30 days before the date fixed for redemption. The City will not be responsible for mailing notices of redemption to the Beneficial (Owners of the 2009A Bonds.

DAIN-ENTRY-ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the bonds to DTL on nominee, Direct Participant (an eligined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in the bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's pastecratip nominee), or such other name as may be requested by an authoritied representative of DTC. One fully registered certificate will be issued for each naturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the menting of the New York Banking Law, a member of the federal Reserve System, a "clearing copposition" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 19A. DTC bolds and provides asset servicing for over 3.5 million issues of U.S. and foo-U.S. cquiry issues, copposets and municipal dock issues; and money market instruments of tron over 100 countries that DTC? participants (Me "Dice Participants) exposit with DTC. DTC also fieldinates the post-trade settlement among Direct Participants of sales and other

OFFICIAL STATEMENT

## Relating to the Issuance of CITY OF NORFOLK, VIRGINIA

SSS,280,000 S21,895,000 S44,710,000
General Obligation Capital General Obligation Refunding General Obligation Bond
Improvement Bonds, Series 2009A Bonds, Series 2009B Anticipation Note, Series 2009C

### PART I THE BONDS

The purpose of this Official Statement, including the financial information contained in Appendix A attached hereto, is to furnish information in connection with the sale by the City of Norfoll, Virginia (the "City"), of its \$55,280,000 General Obligation Capital Improvement Bonds, Series 2009A (the "2009A Bonds," in \$21,395,000 General Obligation Capital Improvement Bonds, Series 2009A (the "2009A Bonds, the 2009B Bonds and the 2009C (the "2009B Cond-on the "2009C Condense of the "2009A Bonds, the 2009B Bonds and the 2009C Note are collectively referred to berein as the "Bends". The Bonds will be general obligations of the City to the payment of which the full faith and credit of the City are pladged. This Official Statement has been authorized by the City for use in connection with the sale of the Bonds.

The City has undertaken in the Ordinance, as hereinafter defined, to comply with the provisions of Rule 18c-12 (the "Kule"), promulgated by the Securities and Exchange Commission (the "SEC") and as in effect on the date hereof, by providing annual financial information and material event notices required by the Rule. See Appendix C, "FORM OF CONTINUING DISCLOSURE AGREEMENT."

All financial and other information presented in this Official Statement has been provided by the City from its records except for information expressly attributed to other sources. The presentation of information is intended to above recent historic information, and it not for other sources. The presentation of information or continuing prents in the financial position or other affairs of the City. No representation is made to the continuing of the City of

This Official Statement should be considered in its entirety, and no one subject discussed should be considered less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

#### DESCRIPTION OF THE BONDS

#### General

The Bonds shall be dated the date of delivery, and shall be payable in annual installments, subject to prior referencion, as applicable, in the principal amounts and at the rates set forth on the inside cover page of this Official Statement. Interest on the 2009A Bonds will be payable sermi-annually on November 1 and May 1, commencing November 1, 2009. Interest on the 2009B Bonds will be payable sermi-annually on a Jauray 1 and July 1, commencing January 1, 2010. Interest on the 2009C Note will be payable on March 1, 2010.

eccurities transactions in deposited securities, through electronic computerized book-entry transfers and plotigus between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities between and dealers, banks, trust companies, chearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the bolding company for DTC, National Securities Clearing Corporation and Freed Income Clearing Corporation and I of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is abor available to others such as both U.S. and non-U.S. securities between and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly the "Indirect Participant".) DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participant are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of the actual purchases of each Bond (the "Beneficial Owner") in in turn records of on the Direct and Indirect Participants' records. Beneficial Owner will not receive written confirmations from DTC of their participants' records. Beneficial Owners used to receive written confirmations from DTC of their particulars. Beneficial Owners used to receive written confirmations from DTC of their particulars, and the properties of the participants of the tensaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners are metered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by raticies made on the books of Direct or Indirect Participants acting on ownership interests in the Bonds are to be accomplished by raticies made on the books of Direct or Indirect Participants acting on ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinuous.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nomines, Code & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Code & Co. or such other DTC nomines do not effect any change in beneficial conversely the DTC has no knowledge of the identities of the actual Beneficial Owerses of the Bonds. (DTC's records reflect only the identity the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct en Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of solices and other communications by DTC to Direct Participants, by Direct Participants of Solices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by amagements anough them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take the Continuation of the Continuation of them of oncience of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may with to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be rede

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to miless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its

usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Priory).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nomine as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the bond registrar or paying agent, on payable date in accordance with their respective holdings shown on DTC's receifs. Payments by Participants to Bernfeital Owners will be governed by Standing instructions and customary particies, as is the case with securities that did for the accounts of customers in bears form or registred in "street name," and will be the responsibility of such Participant and not of DTC, the City or the bond registrate and paying agent, subjects to any stantony or regulatory requirements as may be in effect from time to time. Payment of redemptionally activated the process of the Control of the

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the bond registrar and paying agent. Under such circumstances, in the event that a successor securities depository is not obtained, the Bonds certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a tor securities depository). In that event, bond certificates will be printed and delivered to DTC.

Neither the City nor the bond registrar and paying agent has any repronability or obligation to the Direct or Indirect Participants or the Reseficial Owners with respect to (a) the accuracy of any record maintained by DTC or any Direct or Indirect Participant of any Direct or Indirect Participant of any of the City o

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, reference this Official Statement to the Holders of the Bonds or Bondholders mean Cede & Co. and not Beneficial Owners, and Cede & Co. will be treated as the only Holders of the Bonds.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Holders.

The information in this section concerning DTC and DTC's book-entry system has been obtained ources that the City believes to be reliable, but the City takes no responsibility for the accuracy

#### AUTHORITY FOR AND PURPOSES OF THE BONDS

The Bonds have been authorized and are being issued pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), and Ordinance

#### SOURCES AND USES

The following tables set forth the anticipated application of the proceeds of the Bonds for the poses described above:

#### The Bonds

	- 5	eries 2009A	5	eries 2009B	- 5	ieries 2009C		otal Issuance
Sources of Funds:	5	55,280,000.00	3	21,895,000.00	5	44,710,000.00	5	121,885,000.00
Plus: Net Original Issue Premium	\$	1,648,930.90	\$	1,668,985.75	5	295,980.20	5	3,613,896.85
Total Sources	3	56,928,930.90	5	23,563,985.75	5	45,005,980.30	5	125,498,896.83
Uses of Funds:	000			5.029.58		200		56,105,049.63
General Capital Fund	5	56,100,020.07	,	5,029.58		45,003,297,60		45,003,297.6
Parking Facilities Fund		6/8		NA.	,	43(003,247.66	1	23,492,809.6
Deposit to Escrow		n'a	3	23,492,809.65		2 (12 (2	:	897.739.9
Issuance Expenses 1	3	828,910.83	,	66,146.52	3	2,002.00		497,139.9
Total Uses	- 5	56,928,930.90	5	23,563,985,75	5	45,005,980.20	5	125,498,396.8

<sup>1</sup> Includes Underwriter's discount, legal fees and other costs of issuance.

#### SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

#### General

The Bonds are general obligations of the City and the City's full faith and credit of the City are irrevocably plotaged to the payment of principal of, premium, if any, and interest on the Bonds. While the Bonds remain outstanding and unapand, the City Council is surborized and required to levy, and collect minustly, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a text upon all translate property within the City. Confidence of the extension of the city are interested by the collected, as two payments of the city are interested by the collected of the city and the collected of the city and the city and the city and the city and the city are not invitably available and appropriated for such persons.

ent of either principal of, or interest on, any indebtedness The City has never defaulted in the payr

#### Bondholders' Remedies in Event of Default

Section 15.2-659 of the Virginia Code provides that upon affidavit of any owner, or any paying agent therefor, of a general colligation bond in defindi as to payment of principal or interest, the Governor of the Commonwealth of Virginia (the "a definal is a table) "and modera to assumant privateliation. If such default is established superpixed and payable by the Commonwealth to the political subdivision so in withhold an operated and payable by the Commonwealth to the political subdivision so in which the substant so withhold to prepare to the subdivision so from the subdivision so in the commonwealth to the political subdivision so in the political subdivision so in the commonwealth to the political subdivision so in the commonwealth to the political subdivision so in the commonwealth to subdivision so in the political subdivision so in the commonwealth to be considered to Section 15.1-259 and 15.1-227.61, has ever been issued. Although Section 15.2-269 has not been considered by a Virginia court, the Although Section 15.2-269 has not been considered by a Virginia court, the Although Section 15.2-269 has a section 15.1-251 and 15.1-252 and 15.1-252 has not been considered by a Virginia court, the Although Section 15.2-269 has a section 15.1-252 in the section 15.1-252 has considered that the section 15.1-252 has been subdivisionable to the section 15.1-252 has section 15.1-252. In

No. 43,428 adopted by the City Council of the City (the "City Council") on May 5, 2009 (the "Ordinance"). The Ordinance authorized the issuance and sale of up to \$115,000,000 in general obligation bonds and/org general obligation bonds and/org general obligation to make an ordinance also authorized the issuance of up to \$335,000,000 in general obligation refunding bonds.

Proceeds of the 2009A Bonds will be used to finance various capital projects and to pay or provide for the underwriters and original issue discount(s) related to the issuance and sale of the Bonds.

Proceeds of the 2009C Note will be used to finance parking projects on an interim basis during communication. The City intends to refinance the 2009C Note on a long-term basis in 2010 with general obligation bonds or parking revenue bonds.

#### PLAN OF REFUNDING

PLAN OF REFUNDING

Proceeds of the 2009B Bonds will be used to provide funds (i) to current refund a portion of the outstanding principal balance of the City's General Obligation Capital Improvement and Refunding Bonds, Series 1998 (the "Refunded 1998 Bonds") issued on June 30, 1998 and maturing July 1, 2010 Bonds, Series 1998 (the "Refunded 1998 Bonds") issued on June 30, 1998 and maturing July 1, 2010 Herough July 1, 2014, inclusive, (ii) to advance a portion of the outstanding principal balance of the City's General Obligation Capital Improvement and Refunding Bonds, Series 2002 (the "Refunded 2002 Bonds" and, together with the 1998 Bonds, the "Unfunded Bonds") issued on Everyant 7, 2001 and maturing on January 1, 2016 in the company of the City of the Series 2002 (the "Refunded 2902 Bonds will be ordered 1998 Bonds will be redeemed as part on or about July 1, 2009. The Refunded 2002 Bonds will be redeemed as pare on or about July 1, 2009.

The Refunded 1998 Bonds were issued (i) to finance a portion of the City's Capital Improvement Program, as the Council may amend it from time to time, (ii) to advance refund the entire \$42,000,000 colatanding principal amount of the City's General Obligation Capital Improvement and Refunding Bonds, Series 1992A, maturing from February 1, 2005 to February 1, 2012, Inclusive, (iii) to advance refund the eatine \$5,000,000 colatanding principal amount of the City's General Obligation Capital Improvement Bonds, Series 1995, maturing on June 1, 2014 and June 1, 2015, and (iv) to pay or provide for the undervirent's discount related to the insuance and also of the Refunded Brends.

The Refunded 2002 Bonds were issued (i) to finance capital projects, (ii) to current refund all of the City's General Obligation Capital Improvement and Refunding Bonds, Series 1992A, (iii) to advance refund a portion of the City's General Obligation Capital Improvement and Refunding Bonds, Series 1995, (iv) to advance refund a portion of the City's General Obligation Capital Improvement Bonds, Series 1995, (iv) to prove out of instance of the Bonds, Series 1995, and (iv) to pay cont of instance of the Bonds.

A portion of the proceeds of the Bonda in the amount of \$23,492,809.65 will be deposited with Wells Fago Bank, N.A. ("Exercive Agent"), pursuant to an Exercive Agreement, dated May 21, 2009, between the City and the Exercive Agent (the "Exercive Agreement"). The Exercive Agreement will provide between the City and the Exercive Agreement will provide a second of the City and the City and the Exercive Agreement will provide Securities") that will mature and bear interest at times and in amounts sufficient to pay the principal of, premium and interest on the Refunded Bonda through their respective redemption date. The sufficiency of the Exercive Securities deposited with the Exercive Agent was verified by Robert Thomas, CPA, LLC out of Shavnee Mission, Kaissas.

5

the fiscal year ended June 30, 2008, the Commonwealth provided \$95,528,786 to the City which was deposited in the City's General Fund.

Although Virginia law currently does not authorize such action, future legislation may crubble the City to file a petition for relief under the United States Bankruptey Code (the "Binkruptey Code") if it is involvent or unable to pay is debta. Bankruptey is concelling by the City could have adverse effects on the Bondholders, including (1) delay in the enforcement of their remodes, (2) subordination of their citiants to claims or those supplying goods and services to the City after the initiation of bankruptey proceedings and to the administrative expenses of bankruptey proceedings or (3) imposition without that consent of a recognization plant reduction or dekeying payment of the Boods. The Bankruptey Code consent of a consequent control of the 
#### TAX MATTERS

#### The Bonds

Opinion of Bond Counzel. Bond Counzel's opinion will state that, under current law and assuming the compliance with the Covenants (as defined below) by and assuming the accuracy of certain representations and certifications of the City and certain other persons and entitist, interest on the Bonds (Including any accrued "original issue discount" properly allocable to the owners of the Bonds), (a) is excludable from the guoss income of the owners of the Bonds for purposes of fideral income taxation under Section (10 of the Code and (b) is not a specific item of tax preference for purposes of the federal alternative minimum tax improde on individuals and corporations. Bond Counsel observes that interest on the 2009B Bonds is includable in the adjusted current earnings of certain corporations for purposes of computing the federal between intensions that interest on the 2009B Bonds is includable in the adjusted current earnings. See Appendix B for the form of the opinion of Bond Counsel.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and expressed the counsel's judgment as to the proper treatment of interest on the Bonds for fedoral income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the fusions activities of the City or about the effect of future changes in the Code, the applicable regardations, the interpretation therefor of the unforcement thereof by the Internal Revenue Service (the \*IRS\*). The City has covernanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes. In delivering its opinion regarding the Bonds, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of representatives of the City, the Underwriters and other public officials as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of and remain excludable from gross income for purposes of federal income is tastion. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financior of refinance of the Bonds. Intuitions on the source of the purpose of the property financior of refinance of the Bonds and the use of the property financior of refinance of the Bonds and the use of the property financior of refinance of the Bonds and the use of the property financior of refinance of the Bonds and the use of the property financior of refinance of the Bonds and the use of the Bonds and the United Status Treasury. The tax certificates for the

Bonds (the "Tax Certificate") contains covernants (the "Covernants") under which the City has agreed to comply with such requirements. Failure by the City to comply with the Covernants could cause interest on comply with the covernants could cause interest on the control of the Covernants could cause interest on the set of the Covernants, the covernants which covernants will be control of the Covernants o

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Coverants, may be changed and certain actions may be taken or emitted under the circumstances and subject to terms and conditions set forth in such document. Bond Counsel expresses no opinion concerning any effect on excludability of interest on the Bonds from gross income for factoral income tax great on any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral federal income tax minters with respect to the Boods. It does not purpor to address all appears for federal stassion that may be relevant to a particular women thereof. Prospective purchasers of assist Boods, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal has consequence of owning or disposing of the following the consequence of the consequence

Prospective purchasers of the Bonds should be aware that the avanerability of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial limitations, certain insurance companies, certain corporation (including S coeporations and fereign corporations), certain foreign corporations subject to the "branch profits tax," including a composition of the companies of the

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may also to any such payments made to any Dond owner who falls to peroide an ascentar Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any bond owner who falls to provide an accurate form who is notified by the IRS of a fallitude to report all interest and dividend required to be shown on a folderal income tax returns. The reporting and withholding requirements do not in and of demancive affect the excludability of oak interest from grous income for federal income tox purposes or any other federal tax connections of the providence of purchasing, holding or selling tax-exempt obligations.

consequence of purchasting, holding or selling tax-exempt ontigations.

Original Issue Discount. The "original issue discounts" ("OID") on my Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at generative rates a price of such bond such payable and the payable and the properties of such bond of the same maturity was sold. The "public" does not, placement agents or wholesalers. The store price of the public and the public of the properties or organizations axing in the top-speciate to be the initial public offering price are forten on the store properties of the public of the properties of the public of th

# Virginia Tax Matters

Bond Consol's opinion also will state that, under current law, interest on the Bondo is excludable from the gross income of the owners sheroof for purposes of income taxation by the Commonwealth. Bond Counsel will expess no opinion regarding (i) obser Virginia tax consequences arising with respect to the Bonds or (ii) any consequences arising with respect to the Bonds or (ii) any consequences arising with respect to the Bonds or (ii) any state of the state

# PENDING LITIGATION

The City, in the course of doing business, has been named as defendant in certain personal injury cases and suits for property damage.

These suits are being defended by the City Attorney and associated independent courset retained by the City Attorney, and it is the opinion of the City Attorney that any possible losses in connection with the above pending litigation will not materially and advertely affect the City's financial confines. The City Attorney is also of the opinion that the above pending litigation with reposite planting into attrict the windigh of the Bends or the ability of the City to levy and collect ad valuerum taxes for the payment of the Bonds or the ability of the City to levy and collect advaluerum taxes for the payment of the City to levy and collect ad valuerum taxes for the payment of such Bonds or the Bonds or the ability of the City to levy and collect ad valuerum taxes for the payment of such Bonds or the premium, if any, or interest thereon.

# RATINGS

The City has requested that the Bonds be rated and has furnished certain information to the rating agencies including information that may not be included in this Official Statement. The 2009A Bonds and the 2009B have been rated 'Al' by Mondy's Investors Service, Inc. ("Mondy's"), "AA Services and "An Poor's Ratings Services, a devision of The McGowelli Companier, Inc. ("Services") and 'An' by Flink Ratings ("Fitch"). The 2009C Note has been rated "MiG-1" by Mondy's and 'SP1s' by Sonderd & Poor's.

The ratings reflect only the views of the respective rating agency. Any explanation of the significance of the ratings may be obtained only from the respective rating agency. Generally, rating agencies have their ratings upon information and materials provided to them and upon investigates attention and assumptions by the rating agencies. There is no assumed that such ratings with our better and assumptions by the rating agencies. There is no assumed that such ratings with our better and assumptions by the rating agencies. There is no assumed to the bondary with our better and the rating with our better and the rating with the adverse effect on the market price of the Bonda. The City has not undertaken up one possibility after the subsence of the Bonds to assure maintenance of the rating or to oppose any such revision or withdrawal.

# FINANCIAL STATEMENTS

The City's audited general purpose financial statements for the fiscal year ended June 30, 2008, are published in Appendix A with accompanying notes. In addition, Appendix A also includes a report of the City's independent accountants.

# CERTIFICATES OF CITY OFFICIALS

Concurrently with the delivery of the Bonds, the City will familish (1) a certificate, dated the date of delivery of the Bonds, stagingt by the officers who sign the Bonds, stating that, to the best of their control of the Bonds, stating that, to the best of their control of the Bonds of th

result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received each in such year.

Interest in the form of OID is treated under Section 1288 of the Code as acroning under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual conspounding period for federal income tax purposes is to be apportined in equical amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, again or loss upon its disposition (including its sale, redemption or payment at mastiry!). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the receiptents for federal income set purposes. The accrued of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the shifted offering at the initial offering person may be determined according to valee that differ from them clearled advantage of the other persons of the other descriptions.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the preside determination for federal income tax purposes of interest accrued upon sale or endemption of such OID Bonds and with respect to sate and local tax consequences of owning OID Bonds and to see the consequences of owning OID Bonds and to see the consequences of owning OID Bonds and the property of the consequences of owning the second consequences of the conseque

OID Bonds and with respect to mate and local tax consequences of owning OID Bonds and with respect to mate and local tax consequences of owning OID Bonds and Interest or otherwise at a tax basis that reflects a permism over the sum of all amounts possible on the bond after the acquisition date (exclading certain "qualified stated interest" that is unconditionally represented to the acquisition date (exclading certain "qualified stated interest" that is unconditionally "Fremium Bond." In general, under Section 171 of the Code, as owner of a Premium Bond most amountae the bond premium over the remaining term of the Premium Bond, based on the owner's yields over the remaining term of the Premium Bond, and the state of the properties of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest acronal period under the owner's period as a consideration of the properties of the prop

Possible Legislative or Regulatory Action. Legislation and regulations affecting tax-exempt bonds are continually being considered by the United States Congress, the U.S. Department of the Treassay ("Treassay") and the IRS. In addition, the IRS has established an expanded asulf and enforcement program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed after the date of issue of the Bonds or an audit initiated or other enforcement or regulatory actions taken by the Treasury or the IRS involving citien the Bonds or other teax-exempt bonds will not have an adverse effect on the tax status or the market price of the Bonds or on the economic value of the tax-exempt bonds interest thereon.

section entitled "Pending Litigation" or relating to DTC) at the time of acceptance of the proposal for the Bonds and at the date of delivery were and are true and correct in all material respects and do not contain any untrust statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not miletuding.

The City Attorney will furnish, concurrently with the delivery of the Bonds, a certificate dated the date of delivery of the Bonds stating that no Illigation is pending or, to the best of his knowledge, threatened against the City either (1) to restrain or enjoin the issuance or delivery of the Bonds, (2) to question in any manner the authority of the City to issue or the issuance of the Bonds, or the validity of any proceedings sutherizing the Bonds or the Isroy or cellection of tuxes to pay the Bonds or (3) to question in any manner the boundaries of the City or the title of any officers of the City to their respective offices.

# FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc. of Arlington, Virginia ("PFM"), as Financial Advisor in connection with the insuance and sale of the Bonds. Although FPM has assisted in the preparation of this Official Statement, FPM in not obligated to undertake, and has not undertaken to make, as independent verification or to assume responsibility for the accuracy, completeness or fairness of the information constained in this Perliminary Official Statement. FPM is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

# SALE AT COMPETITIVE BIDDING

The 2007A Bonds and the 2009C Note were sold at competitive biddings on May 12, 2009, to Morens Sandry & Co. Incorporated and J.F. Morgan Securities Inc., respectively. The 2007B Bonds were sold at competitive bidding on May 12, 2009. B DBRC Capital Markers, a devision of Scort & DBRC Capital Markers, a devision of Scort & prices or yield of the Bonds as set forth on the inside cover of this Official Statement. If all of the Bonds are resold to the public at such offering prices or yields, the underwriter have informed the City that they anticipate a total underwriting compensation of \$328,910.83 for the 2009A Bonds, \$364,146.52 for the 2009B bonds and \$25,825.60 for the 2009C Notes.

# CONTINUING DISCLOSURE

The City will execute and deliver to the purchasers of the Bonds a Continuing Discious Agreement, the form of which is set forth as Appendix C to this Official Statement, pursuant to which the City will covernant and agree, for the benefit of the fedders of the Bonds in provide certain annual Commission (the "Rule"). As described in Appendix C, such undertaking requires the City to provide only limited information at specified times.

The continuing obligation of the City to provide annual financial information and notices referred to above will terminate with respect to the Bonds when the Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not continue a default with respect to the Bonds. The City has been in compliance with the requirements of the Rotae over the past five years.

# MISCELLANEOUS

This Official Statement and any advertisement of the Bonds are not to be construed as a contract with the purchasers of the Bonds. Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representations of fact, and no representations in made that any of the estimates will be realized.

The references herein to and summaries of Federal, Commonwealth and City laws, including but not limited to the Constitution of the Commonwealth, the Virginia Code, the City Charter and documents, agreements and court decisions are tunning to the commonwealth of the

Any questions concerning the content of this Official Statement should be directed to the City's Acting Director of Finance, \$10 Union Street Suite 600 City Hall Building, Northik, Vinginia 23516, (737) 664-4364. The distribution of this Preliminary Official Statement has been doly substituted by the City which has decreed this Preliminary Official Statement fluid which is decreed the Acting Content of the Content preliminary Official Statement fluid which is the Content preliminary Official Statement fluid which is the Content preliminary of the content of certain preliminary of the content of the Content preliminary of the Con

CITY OF NORFOLK, VIRGINIA /s/ Regina V.K. Williams City Manager /s/ Alice M. Kelly Acting Director of Finance

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from actual general governmental expenditures for the past ten facal years. Table II-6 presents the historical relationship of the City's net bonded debt to ascened value of soable real property and net bonded debt per capita. Table II-7 provides a statement of future amount debt service requirements on the City's existing general obligation bears.

# Table II-2 City of Norfolk, Virginia General Obligation Debt Statement <sup>(2)</sup> (2)

		Projected as of June 30, 2008				
A. C	1) The amount of general obligation bonds authorized by ordinance, but not yet issued is \$11,13-12-58. 1) Water Revenue Bonds and Parking System Revenue Bonds are excluded from entering the solely from the revenue of their respective mitteries activities. Reduction only bonds dark and does not include the City's capital inter obligations. 10 Entering the most ordinated in any more darked the City's capital inter obligations. 10 Entering bonds are not chedded in gonn dels. Fanish to reduce these bonds have been considered to the control of	5	552,091,918			
			145,250,375			
		5	697,342,293			
Source:	Department of Finance, City of Norfolk, Virginia.					
Notes: (1) (2) (3) (4) (5) (6) (7) (8)	in SH112325E.  When Revenue Bords and Parking Systems Revenue Books are excluded from entry were Revenue Bords and the Section of their requirement contextual records and processes of their section section of their section of t	See Table See Table see irrevoor d Recovery r \$3,300,00 n August I	chs, since these boses to the total state of the to			

PART II CITY INDEBTEDNESS

# Limitation on Incurrence of Debt

Pursuant to the Constitution of Virginia (the "Constitution"), the City is authorized to issue bonds and notes secured by a piedge of its full faith and credit and unlimited taxing power. There is no requirement in the Constitution, the Virginia Code or the City Charter that the issuance of general obligation bonds of the City be subject to approval of the electrons of the City or refereablem. The standard of general obligation bonds is subject to a limitation of 19% of the assusced value of taxable real property.

At June 30, 2008, the total assessed value of taxable real property in the City was \$18,401,541,069. Based on Virginia's constitutional debt limitation formula, this resulted in a debt limit of \$1,401,85,107 at presented in Table II-1 below, the City's outstanding general obligation bonds and other tax-secured indebtedness as of June 30, 2008, is \$697,450,234 representing 37,90% of the constitutional debt limit.

# Table II-1 City of Norfolk, Virginia Computation of Legal Debt Margin June 30, 2008

Amount of debt as a percent of debt limit		37.90%
Legal Debt Margin	_ S	1,142,734,873
Outstanding General Obligation Debt (1) (2) (3) (4) (5) (6)		697,450,234
Debt Limit-10 percent of total assessed value		1,840,185,107
Total assessed value of taxable real property	S	18,401,541,069

Source: Department of Finance, City of Norfolk, Virginia.

- Notes:

  (Defraced bonds are not included in gross delt. Funds to redeem these bonds have been irrevoethy deposited with an excess agest.

  (2) Refrests only bonded delt and does not include the Clty's capital lease cobligations. See Table 11-8 for information about the City's capital lease endingations.

  (3) The amount of general obligation bonds andread by ordinance for Capital Improvement Projects, but not yet inswed its 111.235-200 and or of Projection Systems Revenue Bonds are excluded from gross delt, since these bonds are payable (1) Word Revenue on the Projective energies existing.

  (4) Word Revenue on the Projective energies existing.

  (5) Includent between the City of Projective energies existing.

  (6) Includent by Coyper \$13,000,000 Section 101 Lean with HUD supported by the Broad Creek Remissance THF District, which matures on August 13, 2023.

## Debt Outstanding

The tables that follow detail the City's current general obligation debt outstanding. Table II-2 personal for the contract of the City's current general obligation debt outstanding tax-supported and self-supporting general obligation bonded productions of June 30, 2003. Table II-3 provides a comparative statement of key det rains for the past ten fiscal years and Table II-4 presents the rate of retirement for all general obligation bonds at June 30, 2008. Table II-3 previous the rate for retirement for all general obligation bonds as June 30, 2008. Table II-3 present the reconstitutions of retirement for all general obligations bonds as June 30, 2008. Table II-3 present the reconstitutions of retirement debt service on bonds paid

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# Table II-3 City of Norfolk, Virginia Key Debt Trends Fiscal Years Ended June 30, 1999 – 2008

Fiscal Year Ended June 30		Bonded Debt ousands) (1) (2)	Outsta	s Bonded incipal inding Per ipita <sup>(6)</sup>	Percent of Gross Bonded Debt to Real Property Assessed Value (5)
1999	S	508,805	5	2,170	6.41%
2000	\$	488,352	\$	2,083	6.03%
2001	S	468,445	5	2,002	5.54%
2002	5	460,346	5	1,971	5.18%
2003	\$	460,876	5	1,970	4.93%
2004	S	486,242	S	2,067	4.85%
2005	2	512,528	2	2,180	4.68%
2006	\$	475,872	S	2,032	3.75%
2007	S	576,809	\$	2,444	3.70%
2008	5	695.230		n/a	3.28%

- Source: Competitionary Annuan transmit report for the trust read and are 27, 2008.

  Notes: (1) There are no overlapping or underlying taxing princiferous in the City.

  (2) Dold payable from Enterprise Fand revenue can be found in Table III-6.

  (3) The defeated portion or bonds are not included in Gross Bonded Debt. Unassociated premium/discount is not included in Gross Bonded Debt. On the Bonded Protect of the Competition of th

Maturing By Fiscal Year End		Cumulative ount Matured	Percent of Principal Retired
2013	S	269,189,709	38.60%
2018	\$	446,914,062	64.09%
2023	\$	588,738,122	84.43%
2033	\$	677,692,293	97.13%
2038	S	688,227,293	98.69%
2029		607 147 203	100.00%

# Table II-5 City of Norfolk, Virginia Ratio of Annual Debt Service to Total General Governmental Expenditures Fiscal Years Ended June 30, 1999 – 2008

Fiscal Year Ended June 30		otal Debt ervice (13		tal General	Percent of Debt Service To Total General Expenditures
1999	5	49,744,700	\$	519,198,080	9.58%
2000	5	52,627,625	5	558,439,186	9.425
2001	2	55,926,535	8	578,776,772	9.66%
2002	5	53,484,013	\$	431,283,578	12,409
2003	5	53,258,272	5	451,633,988	11.795
2004	3	55,000,425	\$	490,944,275	11.205
2005	\$	58,971,773	5	490,923,834	12.015
2006	5	62,750,385	\$	510,999,836	12.289
2007	5	58,045,527	\$	539,491,519	10.761
2008	2	64,167,472	5	574,581,092	11.179

Notes: (1) Includes debt service on gammal obligation bonds and capital leases payments apported by the General Fund.

(2) Total general exponditures are presented, using the modified, account basis of accounting.

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Department of the St. States o

Fiscal Year Ended June 30	Estimated Propletion	Tax	ssed Value of able Property Thomands)	Gre	ss Rended Debt		t Payable from	Ne	Bonded Debt	Ratio of Net Bonded Debt to Assessed Value		Bonded Per Capita
1999	234.500	5	9,054,436		508,805,001		141,668,034		367,136,967	4.00%	3	1,596
2000	234,403	5	9,325,009	5	488,351,541	3	128,007,237	\$	360,344,303	3.80%	3	1,537
2001	234,000	5	9,728,064	5	468,445,246	3	114,528,097	3	353,917,150	3.64%	3	1,513
2002	233,600	5	10,204,892	3	460,345,861	3	112,049,824	5	348,296,037	3.41%	5	1,491
2003	233,900	3	10,742,368	3	460,876,270	3	99,230,319	5	361,655,951	3.37%	5	1,546
2004	235,290	3	11,483,300	5	495,241,680	5	87,635,523	5	398,605,757	3.47%	\$	1,695
2005	235,071	5	12,439,004	5	512,528,634	\$	91,085,187	\$	421,008,476	3.38%	\$	1,791
2006	234,219	5	14,332,318	5	475,872,461	2	93,099,000	\$	382,773,000	2.67%	5	1,634
2007	235,915	5	17,306,281	5	576,809,191	8	107,310,741	8	469,498,450	2.71%	5	1,990
2008	235,092	2	21,227,708	5	695,230,236	5	124,092,071	5	571,138,165	2.69%	8	2,429

Source: The source of calcular year population estimates for 1999 and 2001 through 2008 in the Wickins Cooper Center for Public Service, University of Veginia. The source for the population figure for 2009 is the United States Control.

# Debt Incurred by Other Governmental Entities

# Overlapping Debt

The City is autonomous from any county, town or other political subdivision. There are no rlapping or underlying taxing jurisdictions with debt outstanding for which City residents are liable.

# Short-Term Borrowing

The City has not borrowed on a short-term basis for working capital purposes in the past five fiscal

# Capital Lease Obligations

The City leases certain computer, automotive, solid waste automation and other beavy equipment, which are recorded at a cost of \$3,419,866. No additions to Capital Leases were recorded in the fiscal year ended June 10, 2008. The remaining debt service requirements will be retired by funds from the General Fund on the algorimental contracts as summarized in Table II-8.

Table II - 8 City of Norfolk Capital Lease Obligations

Fiscal Year Ending June 30		pital Lease bligations
2009 2010 2011	5	1,845,478 1,175,523 398,865
Total minimum lease payments	\$	3,419,866
Less interest	_	(126,723)
Less current portion	\$	(1,758,251) 1,534,893

# Water Revenue Bonds

Since 1993, and for all future financings, capital improvements of the Water Utility System are anticipated to be financed with revenue bonds. The revenue covenant for these revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of all of the services furnished by the water system, and will, from time to time and as often as appears necessary, revist such rates, fees and other charges, to that in each fixed year net revenues are not less than the protect of Cit be sum of 1.1 times senior debt service for all times asserted that the control of 
## Parking System Revenue Bonds

Since 1997, capital improvements of the Parking Facilities Fund have been financed with revenue bonds. The revenue covenant for these revenue bonds requires the City to catalish, fix, charge collect rates, fees and other charges for the sure of and for the service includes and will, from time to time and as other as for the sure of an extension, fees and other charges, to and will, from time to time and as other as each continue to the continue to the service and (a) to times subordinated other charges, to service and (a) to times subordinated other service from the greater of (i) the sum of 1.23 times senior date service and (a) and times to the funding requirements for transfers from the revenue fined to the bond fund, the purity debt service from the funding service reverve from, the media and epishecement reverve fund, the surety bond interest fund and the subordinated debt service fund. Fixed year ended June 30, 1008 results reflect compiliance with this requirement.

The City has never defaulted in the payment of either principal of, or interest on, any indebtedness.

# Capital Improvement Program Budget

The City has a Capital Improvement Program (CIP) Budget which plans for capital type revenuents for a five-year period. This CIP Budget is reviewed and revised annually.

The City approved is fiscally pear ended June 20, 2009 CIP Budget on May 22, 2008. The total of the CIP Budget for fiscal year ended June 20, 2009 OIC IP Budget on May 22, 2008. The total of the CIP Budget for fiscal year ended June 20, 2009 of \$1376,049,110. This includes a \$16,803,863 transfer from the fiscal year ended June 20, 2009 of perstaing Budget, which reduces the Cip's reliance on boral financing. Five years of CIP activities have been planned in the approved financing. Five years of CIP activities have been planned in the approved financing proposes only and any be modified, it any time, by the CIP Budget is used by the City as a many be modified, it any time, by the City as a financing of financing financing financing from needs and as a guide for identifying various funding sources for financ CIP Budget financing from needs and as a guide for identifying various funding sources for financ CIP Budget in the CIP planned from the CIP Budget in the CIP planned from the CIP Budget in the CIP Budg

The CIP Budget is developed in coordination with and at the same time as other City budgets. It is prepared for submission by the City Manager to the City Council concurrently with the Proposed Operating Budget. Hearings are held as appropriate, and the final CIP Budget is adjusted with a determination being made of the source and amount of funding to be recommended for each item.

The fiscal year ended June 30, 2009 CIP Budget is summarized in Table II-9. Table II-10 summarizes the CIP for fiscal years ended June 30, 2009 – 2013.

On April 7, 2009, the City Manager presented a proposed CIP Budget for the fiscal year ended June 30, 2010. City Council adopted this budget, which totals \$160,393,568 on May 19, 2009.

Table II-10
City of Norfolk, Virginia
Capital Improvement Program
Fiscal Years Ended June 30, 2009 through 2013

FY-2009 Bedget FY-2010 Plan FY-2011 Plan FY-2012 Plan FY-2013 Flan Total | 12,00,100 | 5 | 15,200,000 | 5 | 15,200,000 | 5 | 2,500,000 | 5 | 3,500,000 | 173,00,310 | 145,51,344 | 54,513,340 | 141,523,344 | 11,013,330 | 37,11,470 | 31,524,70 | 41,524,644 | 124,003,100 | 35,00,000 | 35,00,000 | 35,00,000 | 35,00,000 | 35,00,000 | 35,00,000 | 35,00,000 | 35,00,000 | 35,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 37,00,000 | 3 General Capital Schools Non-Schools Total General Capital Storm Water Fund Watewater Fund Watewater Fund Water Fund 500,000 Tool Capital Program \$ 126,049,310 \$ 187,171,844 \$ 144,118,370 \$ 67,241,470 \$ 58,714,470 \$ 633,295,464

est Program Budget, Fiscal Year Ended June 30, 2009.

Table II-9 City of Norfolk, Virginia Capital Improvement Program for Fiscal Year Ended June 30, 2009

Uses		roved Budget FY-2009
General Capital Projects Parking Fund Projects Storm Water Fund Projects Water Fund Projects Wastewater Fund Projects Towing and Recovery Fund Projects	s	124,189,310 1,010,000 3,500,000 30,350,000 16,500,000 500,000
Total Capital Program	S	176,049,310
Appropriation Source		
General Capital Projects From Bond Issue From Cash	s	108,445,447 15,743,863
Parking Fund Projects From Bond Issue From Parking Facilities Cash		600,000 410,000
Storm Water Fund Projects From Bond Issue		3,500,000
Water Fund Projects From Bond Issue From Water Fund Cash		29,700,000 650,000
Wastewater Fund Projects From Bond Issue		16,500,000
Towing and Recovery Fund Projects From Bond Issue		500,000
Total Capital Program	5	176,049,310

Source: Capital Improvement Program Budget, Fiscal Year Ended June 30, 2009.

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# PART III FINANCIAL INFORMATION

The City's fiscal year commences July 1 and closes on June 30.

# Reporting Entity

For financial reporting purposes, in accordance with generally accepted accounting principles (GAAP), the City's financial statements include the City of Norfolk (primary government) and its

- The School Board of the City of Norfolk
  The Employees' Retirement System of the City of Norfolk (ERS)
  The Norfolk Community Services Board (NCSB)

Complete financial statements of the individual component units can be obtained from their resolutive administrative offices. Contact information for such administrative offices can be obtained through contacting the office of the Director of Finance of the City.

# BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE

The City's financial statements include the following sections:

- Management's Discussion and Analysis (MD&A).
   The MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities.

- Required Supplementary Information ("RSI"). In addition to MD&A, budgetary comparison schedules are presented as RSI along with other types of data as required by the Government Accounting Standard Board ("GASB").

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when camed and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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Governmental find financial statements are reported using the current financial resources measurement focus and the modified acrual basis of accounting. Under this method, revenue and related assets are recorded when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 60 days of the end of the fiscal year. Properly taxes due and collected within 4 days after and servenue; those not collected visit of 4 days after year and servence; those not collected within 4 days after year-end are reported as deferred revenue when received. Expenditures generally are recorded when a liability is incurred. However, dother service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

## INDEPENDENT ACCOUNTANTS

Section 99 of the City Charter requires that "...as zoon as practicable after the close of each fiscal year on anomal audit shall be made of all the accounts of the city affect...by certified public accomments selected by the counted..." The firm of KPMG CLE preved as the City's independent auditors. The sudfied agenral peopose financial statements for the fiscal year ended June 30, 2008, are published in Appendix A with accompanying notes.

## RUDGETARY PROCESS

The City Charter requires that no less than 60 days before the end of the friend year, the City Manager must submit to the City Council a proposed balanced operating budget of the continuing friend transmitted to the City Council for continuing friend transmitted to the City Manager for review and then submitted to the City Council for consideration as part of the City's general operating budget. The City Council for consideration as part of the City's general operating budget. The City Council for consideration as part of the City's general operating budget. The City Council for consideration as

The financial forecast, the first step in the budget procest, is an essential component of the annual process of assessing the City's overell financial condition and looking as its financian in a multi-year process of assessing the City's overell financial condition and looking as its financian is a multi-year in a multi-year condition and the conditio

## GENERAL GOVERNMENTAL REVENUE

## Overview

General governmental revenue is derived from general property taxes, other local taxes, permits, privilege fres and regulatory licenses, fines and forfeitures, use of money and property, charges if services, recovered costs and non-temperical sid, shared expenses and categorical aid from the Commonwealth. General Fund disboursements include the normal recovering activities of the City, such as police, public works, general government, transfers to the School Operating frum for Ivola Marie of costs and to the Debt Service Fund to pay principal and interest on the City's general extigation bonds for other than enterprise ford purposes.

# Property Tax Rates, Levies and Collec

An annual ad valorem tax is levied by the City on the assessed value of real property located within the City as of July 1, and on tangible personal property located within the City as of January 1. Real property taxes are the largest single source of tax revenue. Tax rates are applied to the assessed valuation of property.

The ratio of the assessed value of real property to its estimated fair market value is 100% (other than public service properties). The City taxes several categories of personal property, each of which is assessed on a different basis. Machinery and tools are assessed at 100% of original coart, whicles and

Fiscal Year Ended June 30		General Property Taxes	0	ther Local		rmits and Licenses		Fines and Surfaitures		of Money	•	harges for Services	Mis	cellaneous	1	Recovered Cests		Inter- eramental
	_	147,831	_	111,212		2,505	4	1,920	₹	8,765	7	19,618	3	18.621	5	11,139	5	107,896
1999						2,943		1,661		10,275		18.836		13,990	5	12,338		133,526
2000	3	152,662		119,107								18,745		13,681		14.135		122,677
2001	5	153,366	5	126,537	5	2,601	3	1,684		11,361						10,008		133,332
2002		159.512	5	127,262	3	2,700	5	1,541	5	11,247	5	18,312		12,337				
2003		168,893		132,847	4	2.973		1,549	5	8,791	5	29,390	5	24,785	3	9,556		131,071
				149,675		3,304		1,627		8.333		31,342	1	17.339	5	12,297	5	160,118
2004	3	179,361										29,129		18,951		14,188		147.045
2005	5	193,293	1	150,477	5	3,542		1,763		10,232						12.667		149.757
2006		211,798		157.616	4	4.048	5	1,461	5	10,498	5	32,772	1	33,494	3			
				159.119		4.071		1.605	5	11,105		37,071	*	11.691	5	8,408	1	156,637
2007	- 5	235,399										#0.070		17,923		8,622		156.862
2008	- 5	241,290	- 5	162,573	5	4,055	5	1,317	3	10,651	,	20,010		4-745	•	6,714	-	

ive Annual Financial Report for the Fiscal Year Ended June 30, 2008.

boats are assessed at 100% of certain published loan values; and mobile homes are assessed on the same basis as real property.

The City has the power to levy taxes on property located within its boundaries without limitation as to rate or amount for the payment of its obligations. Rates are established by the City Council. The tax starts approved in the flical year ended June 30, 2009 badget, on each \$3100 of assessed value, which remain unchanged from the previous fixed year, are \$1,50 for necessational valueles, \$3.240 for airplanes, the previous starts of the previous fixed year, are \$1,50 for necessational valueles, \$3.240 for airplanes, homes. The rate on personal recreational boats consists of a decal feet of \$510 or \$355, depending on the length of the boat plan a tax of lifty cents per \$100 on the assessed value of the boat. The tax rate for commercial boats is \$1,50 per \$100 of the assessed value of the boat and so boat docs it not required. The commercial boats for each property on the original property me of \$3.11 per \$100 of ansazed values.

Real property levies are payable during the year of assessment in four equal installments, on or before September 30, December 5, March 31 and June 5. Personal property, recreational vehicles, machinery and took, mobile home, as indpanse and both teries are appaids on or before large 65 of the year assessed or thirty days after acquisition. Certain types of personal property such as automobiles, mucks, monotorcycles, malters and recreational vehicles are prorated throughout the year and payable 30 days after acquisition.

In the event any installment of taxes on any of the properties listed above is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

The City Council may require the sale of real property in satisfaction of delinque the provisions of Section 89 of the City Charter.

## Other Revenue Sources

The City levies various other local taxes: (1) a 1% local sales tax (collected by the Commonwealth and remitted to the City); (2) a tax on water, electric and gas utility bills; (3) a cityperiet tax of 65 cents per packet; (4) properly irrantfer recordation taxes; (5) as automobile licenses tax; (6) various business licenses/franchise taxes; (7) a hotel and model tax of 8% and a 51 per room, per night surcharge of which 1% in decitated to tourism and economic development; (5) as admissions tax of 10%; and (2) a retainant food tax of 6.5%, which includes alcoholic beverages of which 1% is decitated to tourism and economic development.

Fees, Licenses and Permits - The City requires that licenses or permits be obtained for the performance of certain activities and that fees be paid for services provided by certain City departments.

Revenue from the Commonwealth of Virginia - The City receives payments for highway memoriance, a there of the net profits from the State Alesbodic Beverage Control Board liquor state, and the state of 
Other Revenue - The primary sources of other revenue to the General Fund include transfers from the Water Utility and Wastewater Utility Funds, interest on investments and impact aid from the foderal government. Tables III-1A and III-1B show the City's General Fund revenue by source for each of the last ten fired years.

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# City of Norfolk, Virginia Other Local Tax Revenues by Source, Governmental Fund Fincal Years Ended June 20, 1999 – 2008 (Amounts in Thousands)

Fiscal Year Ended June 30	Sal	es and Use Taxes		ensumer's lity Taxes		Business ense Taxes		otor Vehicle Licenses		Cigarette Tases		estaurant ood Taxes		Other		Total
1999	\$	22,602	5	33,189	3	15,932	5	3,306	5	4,918	5	15,677	\$	15,586	5	111,212
2000	5	24,321	5	34,224	2	18,095	5	3,391	5	3,540	5	17,066	5	18,070	\$	119,107
2001	5	25,496	5	38,988	1	18,352	\$	3,479	\$	4,122	5	18,759	5	17,341	5	126,537
2002		25,267	5	37,922	5	18,644	5	3,554	5	4,280	2	19,288	\$	18,307	\$	127,262
2003	5	25,854	5	37,930	2	18,472	5	3,462	5	4,220	5	21,680	\$	21,229	2	132,847
2004		27.867		39.231	5	20,279	5	3,456	1	7,639	5	21,808	5	20,395	5	140,675
2005	5	29,497	5	39,371	5	22,015	5	2,605	\$	6,948	\$	22,550	3	27,491	5	150,477
2006		30,652	5	43,337	5	24.412	8	3,576	1	6.819	5	27,277	5	21,543	2	157,616
2007		32,402		42.586		25,268	5	3,529	3	6,957	5	28,578	5	19,799	\$	159,119
2007		71 701		46.593		26 242		3.495		7.177		28.758	1	18.024	5	162,573

Table III-2 sets forth the assessed value of all taxable property in the City for the past ten fiscal year. The total assessed value of all taxable property in the City at Juur 30, 2008, was approximately 521.2 billion. The estimated assessed value of tax-exempt properties sowned by idental and Commonwealth governments, churches and schools, among others, was approximately \$10.0 billion for fiscal year 2008, and is presented in Table III-3.

# Table III-2 City of Norfolk, Virginia Assessed Valuations and Estimated Actual Values of Taxable Property Fiscal Years Ended June 36, 1999 – 2008 (Mount In Thousands)

Fiscal Year Ended June 30		al Property		Personal roperty (1)		Other operty <sup>(3)</sup>		tal Taxable essed Value	Estimated Actual Value			
1999	5	7,934,397	5	900,076	5	219,963	5	9,054,436	5	15,145,054		
	5	8,098,113	\$	1,023,626	\$	203,300	\$	9,325,039	5	15,668,692		
2001	\$	8,458,281	5	1,040,929	\$	228,874	5	9,728,084	5	16,119,540		
2002	5	8,882,064	\$	1,102,983	\$	219,845	5	10,204,892	\$	16,794,80		
2003	5	9,356,760	5	1,085,027	\$	300,481	8	10,742,268	5	17,864,12		
2004	5	10,029,639	5	1,170,117	8	283,544	8	11,483,300	5	19,424,09		
2005	5	10,960,812	5	1,167,673	8	310,519	5	12,439,004	\$	21,576,34		
2006	5	12,691,527	5	1,324,320	\$	316,471	\$	14,332,318	\$	25,196,62		
2007	5	15,607,512	5	1,375,798	5	322,971	1	17,306,281	5	27,820,20		
2000		19 401 851		2 501 662		322.195	4	21,227,708	5	28,427,50		

Table III-4 presents the property tax rate per \$100 of assessed value and the equalization ratios used to determine the fair market value of taxable property for the past five fiscal years.

# Table III-4 City of Norfolk, Virginia Tax Rates and Equalization Factors Fiscal Years Ended June 30, 2004 – 2008

					Fincal	Yn	er Ended Jun	4 31		_		_
		2004		2005			2004	_	2017	_	2008	_
Property tax rate per \$100 assessed value:							1000	4		1	1	
Supiness Improvement District	5	0.18	1	33	0.15	5	0.18		0.13			31
Pyrsonal property	5	4.00	5		4.00	1	4.00		4.00			25
Machinery and tools	1	4.00	1		4:00	5	4.00	3	4.00			25
Mobile horses		1.45	1		1.40	5	1.35	1	1.27	3		ÜH
		2.40			2.40	4	2.40	5	2.40	1	2	:40
Aisplance	2	1.50			1.50		1.50	1	1.50	-	1	.58
Bosts (burness)		0.01			0.01				0.01			150
Bosts (pinasset)								÷	1.30			13
Recreational vehicles	. 5	1.50										
Disabled veterant	- 5	3.00	- 5		3.00	3	3.00	- 3	3.00			5.00
Assessed value of real property in a percent of												
fair market value:												
As determined by the City Assessor As determined by the Commonwealth's		100.00%		100	00%		100.00%		100.009		100.0	101
Department of Taxation (1)(3)		89.00%		65	00%		76.00%		76.005			

Source: City of Norfolk, Virginia

Nous: (1) The must recent Virginia Assument/Suba Ratio Body is for 2004.

(2) The rail properly and personal properly assuments for public service cooperations are based on information function to the Commissioner of the Revenue by the Bost Cooperation Commission and the Commission by Commission of the Commission of t

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	Federal Go	verament	City of 2	iorfolk		folk penent and Authority	Common	wealth of plain	All Other O	rganitations )	Tet	al .
Year Ended June 30	Assensed	Estimated Tax Value	Amened Value	Estimated Tax Value	Asserted Value	Estimated Tax Value	Assessed Value	Estimated Tax Value	Assessed Value	Estimated Tax Value	Amened Value	Estimates Tax Valu
2004	5 4.116.089	\$ 57,625	\$ 1,494,691	5 20,936	\$ 382,610	\$ 5,357	\$ 689,933	5 9,659	\$ 1,241,480	\$ 17,381	\$ 7,924,803	3 110,94
2005	\$ 4.138.358	\$ 57,937	\$ 1,706,337	5 23,889	\$ 392,982	\$ 5,502	\$ 711,361	\$ 9,957	\$ 1,350,116			\$ 116,18
2006	\$ 4,581,576		\$ 1,718,375	\$ 23,198	\$ 465,660	5 6,286	5 769,584	\$ 10,389	\$ 1,439,067	\$ 19,427		5 121,15
2007	\$ 4,672,997						5 814 505	\$ 10,344	\$ 1,539,360		5 9,378,209	
2007	\$ 5,001,343		\$ 1,970,451				\$ 875,238	\$ 9,715	\$ 1,651,053	5 18,327	\$ 10,044,197	\$ 111,49

Note: (1) The assumed with was DRNs of few matrix wise. The fixed year ended here 20, 7006, estimated tax value is at a some of \$11.11 per \$1000 of estimated assumed value.

All other appellations backles religious experiences, calculate experiences, prices solventation, Verginia Port Androréy, Etterden Nove Tweed Commission, Hangara Sanda Sandarion Districts of Enterly Verginia Sandarion (Sandarion).

Table III-5 City of Norfolk, Virginia Assessed Valuation and Change in Property Tax Levy Fiscal Years Ended June 30, 2004 – 2008 (Amounts In Thousands)

Assessed Valuation

Fiscal Year Ended June 30	Re	al Property		Personal roperty & Other	Proper	ty Tux Levy I	Percentage Increase in Property Tax Levy
2004	\$	10,029,639	5	1,453,661		191,397	6.79%
2005	\$	10,960,812	5	1,478,192	5	209,202	9.30%
2006	\$	12,691,527	5	1,640,791	5	227,796	8.89%
2007	5	15,607,512	5	1,698,769	S	254,703	11.81%
2008	S	18,401,851	5	2,825,857	5	258,016	13.00%

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008.

Table 1II-6 sets forth information concerning the City's real and personal property tax collection rate for fiscal years ended June 30, 1999 through 2008.

# Table III-6 City of Norfolk, Virginia Real and Personal Property Tas Levies and Collections (9) Fiscal Year Ended June 20, 1999 – 2008 (In Thousands)

Fincal Year Ended June 30	Total	Tas Levy		urrent dections	Percent of Current Collections to Tax Levy		inquest lections		Total dections	Percentage of Total Tax Collections to Tax Levy
1999	\$	150,747	\$	136,668	90.66%	5	11,068	2	147,736	.98.00%
2000		158,268	5	145,772	92.10%	\$	14,865	\$	160,637	101.50%
2001		164,289		151,921	92,47%	8	13,501	5	165,422	100.69%
2002	4	171,755		158,914	92,5254	5	12,883	\$	171,797	100.02%
2003			5	164,482	91.78%	5	18,724	5	183,206	102.22%
2004		191,397		178,200	93,10%	5	15,821	5	194,021	101.37%
2005	-	209,202	5	191.254	91.42%	\$	8,349	5	199,803	95.51%
2006	1	227,796		203,894	\$9,47%		8,526	5	212,330	93.21%
2007		254,703	5	239,288			10.097	\$	249,385	97.91%
2007	3	258,016	5	238,728	92.52%	\$	14,905	1	253,633	98.30%

Source: Comprehensive Annual Financial Report for the Fuzal Year Ended June 30, 2008.

Note: (1) Delinquent was collections are reported in the year collected.

Table III-8 City of Norfolk, Virginia Budgeted Positions Fiscal Years Ended June 30, 2005 – 2009

Fiscal Year Ended June 30	Number of Budgeted Positions (1)
2005	3,934
2006	3,969
2007	4,079
2008	4,111
2009	4.115

Sources: Approved Operating Budgers, Fiscal Years Ended June 30, 2005 through 2009.

Note: (1) Figures shown represent the marker of permanent and permanent part-time General Fund positions, exclusive of School Board positions.

# Protected Self-Insurance Program

The City is exposed to various risks of fosses related to term; theft of, damage to and destruction of assers; error, and omission; injuries to employees; and natural disasters. On July 11, 1978, the City established a prosecuted Self-Instance Program Brough pursuant to an ordinance adopted by the City Council, to soever itself from these risks of losses. The program provides for the payment of claims liabilities, property losses and related expenses overwed by a continuation of particulated instances; policies and self-instances policies made self-instances policies and self-instances policies. The total of instances policies and self-instances policies. The total policy of instances policies and self-instances policies. The total policies are self-instances policies and self-instances policies. The total policies are self-instances policies and self-instances policies. The total policies are self-instances policies and self-instances policies. The total policies are self-instances policies and self-instances policies. The total policies are self-instances policies and self-instances policies. The total policies are self-instances policies and self-instances policies. The total policies are self-instances policies and self-instances policies. The total policies are self-instances policies are self-instances policies and self-instances policies are self-instances.

The City currently reports all these activities as part of the risk management function in the general government section of the General Fund. Citam expenditures and liabilities per reported when it is probable in the control of the General Fund. Citam of the General Fund. Citam of the General Fund. At James 30, 2008, these liabilities were \$25,509,306 of which \$4,509,312 represents the current portion misticipant to be guid within a year. Estimated liabilities, are determined by an activary, are reported at their present value, using the expected function in the General Fundament of the percent.

Changes in the City's claims liability amount in the fiscal years ended June 30, 2004 and 2008 are as follows:

Fiscal Year Ended June 30		puid Claims Beginning Balance		ims Incurred Estimated		lains Paid	En	ding Balance
2004	S	18,189,936	5	6,188,209	\$	7,357,365	\$	17,020,780
2005	5	17,020,780	5	5,464,863	5	5,544,508	5	16,941,135
2006	2	16,941,135	5	8,248,731	8	5,267,508	5	19,922,358
2007	5	19,922,358	\$	10,659,920	5	5,515,618	5	25,066,660
2008		25 066 660		12 313 224		12 305 870		25.059.306

Table III-7 sets forth the City's ten largest taxpayers and the assessed value of real property owned by each such taxpayer during fiscal year ended June 30, 2008. The aggregate assessed value of the ten largest taxpayers recreated 5.55% of the City's total assessable base at June 30, 2008.

# Table III-7 City of Norfolk, Virginia Ten Principal Real Property Taxpayers (1) June 30, 2008

Taxpayer	Type of Business		cal Property sessed Value	Percentage of Total Real Property Assessed Value
MacArthur Shopping Center LLC	TATOMY	-	196 200 500	0.000
(Taubman Co.)	Retail	2	178,290,528	0.97%
Dominion Virginia Power	Public Service Utility	8	173,032,800	94,00%
Verizon Virginia, Inc.	Public Service Utility	5	131,127,740	71.00%
Bank of America	Bank	5	94,561,445	51.00%
Ford Motor Company (7)	Truck Manufacturer	\$	87,462,500	48.00%
Norfolk Southern Corporation	Railroad	5	81,588,900	44,00%
Military Circle Ltd. Partnership	Shopping Center	5	65,187,525	35.00%
Dominion Tower Ltd. Partnership	Real Estate	3	58,001,800	32.00%
Cox Virginia Telecom	Public Service Utility	5	57,438,600	31.00%
Norfolk Hotel Association (Marriott)	Service	8	57,040,100	31.00%
Total Principal Taxpayers		3	983,731,938	5.35%

Notes: (1) Total assessed value of taxable real property including public service corporations at June 30, 2008 was \$15,001,501,000.
(2) The First Motor Company, Inc. closed its Nortlink assembly pitest in June 2007.

## GENERAL FUND EXPENDITURES

# Costs of General City Government

The costs of most general government functions are paid from governmental funds. These costs include expenditures for police protection, fire and paramedical services, public health and social services police protection, and social granulegement, odes enforcement, sizer ministerance, traffic control, parks and encortection operations and social granulegement, odes enforcement, sizer ministerance, traffic control, parks and enterties operations and ministerative services. Table III.8 persents the number of positions bedgeted for employees (including salaries and related employee benefits such as health insurance and pension contributions).

During fiscal year ended June 30, 2008, the City paid a large automobile liability claim in the amount of \$7.5 million. The obligation was partially met with a \$4.9 million payment from the City's Rick Management Reserve. At the present time, this particular claim is viewed as a statistical anomaly when compared to the City's recent years and long-term loss experience, is not anticipated as being indicative of the City's change in trends, and is not representative of anticipated loss versits that would thereath net City's financial sustainment in the forescentise future. Until fiscal year 2008, aggregate automobile liability claims costs, included in the social liability claims point figures above, but been less that it million anomaly, with singular incidents paid at aggifficiantly lesser amounts). The City continues to solf-incure most of its automobile liability risks since a formul plan was adopted in 1955.

The City has a single-employer noncontributory, defined benefit retirement plan that covers substantially all employees of the City, establing School Board and Constitutional Officers employees who are covered by the Virgiain Retirement System. The City's contribution requirements are designed to fund the plan's current service cost. Actuarially required contributions are appropriated each year by City Council.

Total annual pension contributions for all City employees over the last three fiscal years to the City's contributory retirement are presented in Table III-9.

Table III-9
City of Norfolk, Virginia
Schedule of Annual Pension Contributions
Fiscal Years Ended June 30, 2006 - 2008 (9)

Fiscal Year Ended June 30		Annual Pension Contribution
2006	S	25,728,228
2007	\$	25,135,944
2008	\$	25,728,228

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008.

Note: (1) Astuarially required Pension Contributions are funded and paid in the faced year following the contribution dots

# Other Post-Employment Benefits

In June 2004, the GASB issued Statement No. 45 ("GASB 45"), Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, which the City was required in implement with respect to its financial statements for first al year reded June 30, 2008. GASB 45 stabilishes new standards as to how the City must account for and report the costs of its Other Post-Employment Benefits (OPEB). health immune, it film stance, and other more passion benefits provided to its retirement.

GASB 45 requires that the City and Schools recognize the costs of their OPEB during the period of their employee's active employment, while the benefits are being earned, and disclose their unfanded canutarial exceed liability in order to occurately report the total future cost of post-employment benefits and the financial impact on the City. These GASB 45 requirements are very similar to requirements for pension benefits.

The following steps have been taken to date, in preparation for the implementation of GASB 45:

- The City and Schools have completed an actuarial valuation of the benefits;

- The City's Retirement Board of Trustees have agreed to act as an OPEB Board of Trustees to manage the investment function of a formal employee benefit trust, should such a trust be established;
- In fiscal year ended June 30, 2008 the City allocated \$1,898,253 in excess of the existing pay as you
  go contributions toward addressing the liability; and
- Over time, the City and the Schools plan to gradually increase funding until the annual actuarial required contribution is fully funded.

As of June 30, 2008 the following is projected:

		City		Schools		Total
Actuarial Accrued Liability as of 6/30/2007 [10	5	43,600,000	\$	59,700,000	s	103,300,000
Actuarial Required Contribution for FY 2008	5	6,004,000	5	4,800,000	\$	10,860,000
Estimated Pay Go Contribution and Explicit Subsidies		(2,260,000)		(2,560,000)		(4,820,000)
FY 2008 Reserve in Excess of Pay Go		(1,898,253)			E	(1,898,253)
Difference	5	3,780,000	3	2,260,000	\$	6,040,000

Source: Actuarial Valuation Report by Cheisen, Inc. measures so of July 1, 2007, fair fiscal year ended June 30, 2008.

Note: (1) Estimates as shown assume the City and Schools establish a work. Schools assumes a PsyGo busis for calculating liability and the City assumes a protected basis for establishing liability.

# Employee Relations and Collective Bargaining

The Supresse Court of Virginia has ruled that in the absence of legislation, municipalities and school boards in Virginia do not have the authority to enter into collective bargaining agreements.

# PUBLISHED FINANCIAL INFORMATION

The City issues and distributes a Comprehensive Annual Financial Report on its financial operations for each fitted year. The City also publishes annually an Operating Budget sads a five-year Capital Improvement Program (CIP) Budget. These documents are available via the internet at www.archole.gov. in sadding, the City will undertake to provide or cause to be provided certain Annual Financial Information described as exciton—CONTRINING BIOLICOMITY. To fulfill the requirements of the Proprentigated by the SEC.

# GENERAL FUND OPERATING BUDGET RESULTS FOR FISCAL YEAR ENDED JUNE 30, 2008

On the budgetury basis of accounting, General Fund revenues were \$806,725,956 representing 99.51% of budgeted revenue. General Fund expenditures were \$805,237,762 representing 99.32% of budgeted expenditures. But III-10 summarizes key financial revolts.

## Table III-11 City of Norfolk, Virginia General Fund Budget Fiscal Year Ended June 30, 2009

Anticipated Revenue Receipts	Approved Budget	Appropriations For Expenditures	Approved Budget
Anticipated Revenue Recepts General Property Taxes Other Local Taxes Other Local Taxes Fines and Foreitures Lise of Money and Property Charge for Services Miscellaneous Revenue Mos-Categorical Aid-5 Virginia Shared Expenses Categorical Aid-1 Virginia Federal Aid Recevered Costs	\$ 250,017,800 \$ 158,925,500 \$ 4,124,300 \$ 1,635,000 \$ 10,958,000 \$ 24,032,700 \$ 4,036,600 \$ 33,861,800 \$ 22,000,000 \$ 282,007,300 \$ 6,291,500 \$ 9,648,300	Legislative Ensecutive Department of Law Constitutional Officers General Management Justical Office of Elections Community Development Parks, Recreation and Cultural Public Health advisturace Public Safety Public Works	\$ 4,653,800 \$ 6,117,700 \$ 3,930,200 \$ 5,139,100 \$ 33,239,100 \$ 45,614,200 \$ 612,300 \$ 7,049,400 \$ 42,605,300 \$ 99,697,200 \$ 42,906,400
Other Sources and Transfers in	\$ 19,711,500	Debt Service Education Non-Departmental Appropriations	\$ 77,829,200 \$ 330,190,900 \$ 60,968,400
Total	\$ 827.280.300	Total	\$ 827,280,300

Source: Approved Operating Budget for fiscal year ended June 30, 2009.

On April 7, 2009, the City Manager presented a proposed CIP Budget for the fiscal year ended June 30, 2010. City Council adopted this bedget, which totals \$160,393,568 on May 19, 2009.

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# Table III-10 City of Norfolk, Virginia General Fund Operating Budget Summary Results for the Fiscal Year Ended June 30, 2008

	Fiscal Year 2008 Final Budget	Fiscal Year 2008 Results	Percent of Budget	Variance Positive (Negative)
Total Revenue and non-revenue receipts	\$ 810,722,221	\$ 806,725,956	99,51% 5	3,996,265
Total Expenditures	\$ 810,722,221	\$ 805,237,762	99,32% \$	5,484,459
Revenue greater (less) than expenditures	5 .	\$ 1,488,194	- 3	9,480,724

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008.

# General Fund Operating Budget

The Fiscal Year Ended June 30, 2009 General Fund Operating Budget was adopted on May 22, 2008, and totals \$827,280,300 reflecting a 4.0% increase over the adopted Fiscal Year Ended June 30, 2008 General Fund Operating Budget of \$579,883,500. Real estate tax revenues, the largest general property sta source, are estimated to grow by approximately 7.1% in fiscal year ended June 30, 2009 over the previous year. The real estate tax rare remained at \$1.11 per \$500 of assessed with. Holds tax revenues are expected to be approximately \$6.85 million and admission taxes are projected to grow 6% over the previous fiscal year to \$4.45000. Revenues from the Commonwealth of Virgains, mostly for education are anticipated to the property of the second of the second property of the seco

The budget focuses on targeted priorities including education, public safety and neighborhood revitalization. Major revenue and expenditure categories are summarized in the following tables.

Utilizing data through the first 10 months of the fiscal year ending June 30, 2009, unaudited general forevenues are projected to be \$3.5 million or 1.0% less than projected in the fixed year ending June 30, 2009. Operating Buguled due to lover than budgeted revenues that use economically sensitive (e.g., sales, 2009. Operating Buguled due to lover than budgeted revenues that use economically sensitive (e.g., sales, 2009. Operating Buguled due to love the subject of 
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## Table III-12 City of Norfolk, Virginia eneral Governmental Expenditures by Function Fiscal Years Ended June 30, 1999 - 2008

Fucal Year Enfed June 30		retire.	44	Jedicial ministration		Public Salety		Public Works		Public Assistance	,	ducation		alture and lecreation						Inter-		Capital		Tetal
1999	E 4	3,499	-	8,046	4	94,113	4	34,153	7	64,993	T	\$2,019	ı	45,186	-	19,627	1	45,685	τ	6,923	т	35,263	4	479,527
2000	1 1	0,770	1	1,940	1	96,542	1	36,792	1	72,609	1	79,033		45,068		22,970		41,399		5,950	1	17,912	1	485,034
2001	1 1	0.671	1	7,647		101,523		34.817		54,947	1	80,883	1	46,032		22,549	1	51,121	1	7,807	1	27,488		489.845
2003	3 4	4,126	1	8,790	1	115,912	1	56,124	1	61,601	1	83,883	1	00,849	5	15,943	1	48,637	5	7,932	1	30,516	3	515,315
2003	1 1	6.639		9.280		123,202		17.162		68,140	4	88,854	1	69,149	1	17.673	1	45,443		8.061	1	37.770	1	563.378
2004 ***	1 1	6.127	1	55,400	1	94,979		80.613	1	16.221	5	99.070	1	40.081	5	8.048	1	49,551	5	6,140	1	45,526	5	602,409
2005	1 4	7,414	1	38,110	3	102,278	1	64,497	5	83,451	5	91,865	5	49,299	5	12,716	5	65,468			5	85,144	5	651,253
2006	1 1	2.042	1	41,795	5	105,634		46,959	5	91,335	5	92,595	5	47,995	8	13,392	1	56,462	3		3	91,632	5	675,221
2007	5 10	2.651		45,175		188,565		49,161		99,597		97 595		44,197	*	11.158		54,799				54.595	*	707.861
2008		0,974		47,331		116,208		60,370		95,159		101,095	\$	51,071	1	10,745	1	60,728	1		1	114,007	1	767,688

Source: Compethensive Annual Financial Report for the Fiscal Year Ended June 30, 2008.

Nate: (1) Shariff and July reportitions were reclassified in Fiscal Year Ended June 30, 2004, from Public Safety to Judicial Administ

# RESULTS OF FINANCIAL OPERATIONS

A comparative balance sheet at June 30, 2008 and 2007 extracted from the June 30, 2008 Comparative balance from the General Fund is presented in Table III-13. The Comparative balancer of Revenue and Expenditures for the City's General Fund for the past three fixed years are presented in Table III-14. The City's most recent General Fund statements of changes in fluid balances for the past five fixed years are summarized in Table III-15.

# Table III-13 City of Norfolk, Virginia Balance Sheet, General Fund June 30, 2008 with comparative totals for 2007

		2007		2008
ASSETS			П	
Cash and cash equivalents	\$	64,939,509	\$	51,735,145
Receivables, net:				
Taxes	5	60,097,267	5	45,118,526
Accounts	5	1,751,147	\$	2,531,218
Notes	5	70,039	\$	47,276
Accrued investment income	S	578,138	5	9,811
Due from other funds	5	4,078,974	\$	4,113,067
Receivable from other governments	\$	6,247,095	\$	22,159,547
Deposit Contractors	5	200,000	\$	125,714,590
Total assets	5	137,962,169	5	124,960,478
LIABILITIES				
Vouchers/Accounts Payable	8	9,055,225	5	9,405,462
Employee withholdings	5	702,930	5	870,818
Accrued payroll	\$	3,918,780	5	4,641,025
Due to other funds	\$	1,663,068	\$	6,648,265
Due to component units	5	28	\$	
Deferred revenue	S	30,750,087	\$	29,948,443
Other liabilities	\$	3,592,630	\$	6,229,389
Total liabilities	3	49,682,748	5	57,743,402
FUND BALANCES				
Reserved for:	5	16,602,919	5	11,109,234
Encumbrances		620,000		\$60,000
Retirees, life insurance	9	240,000	200	or exposure
Unreserved, reported in: General Fund – Designated future expenditures				
General Fund - Designated future expensions	\$	32,305,011	5	15,765,842
General Fund - Undesignated	S	38,751,491	8	40,536,112
Total fund bulances	\$	88,279,421	5	67,971,188
TOTAL LIABILITIES AND FUND BALANCES	3	137,962,166	5	125,714,590

Source: Comprehensive Annual Financial Report for the Fisral Years Ended June 30, 2008 and 2007.

# Table III-15 City of Norfolk, Virginia meet of Changes in Fund Balance, General Fund

	3004	2005	ral Year Ended June : 2006	2007	2008
Net Change in Fund Bulance	5	3 .	5	5 .	\$
Fund balance at beginning of year	58,106,522	63,008,083	62,698,764	62,698,764	62,698,79
Adjustment to beginning balance	4,901,561			30	-
Fund Balance at end of year	5 43,008,083	5 63,008,083	\$ 62,693,764	5 62,695,794	5 62,698,794
Iourum: Comprehensive Annual Financial Reports	for the Flocal Years Ended June 20, at Fund in the amount of \$309,315,	2004 through 2008.	n a special revenue fund b	regioning in fiscal year	coded

	_	2814	_	2045	mar 1	car Ended June 2004	30	2097	_	2004
REVENUE	_		-		_		_		_	
General property taxes	5	178,360,554	*	192,894,904	5	210,595,835	5	233,112,175	5	238,739,614
Other local taxes		135,513,691		141,510,674		148,336,907		149,792,683		153,068,673
Permits and licenses		3,204,671		3,541,516		4,068,238		4,071,084		4,055,323
Fines and forfeitures		1,626,731		1,763,078		1,461,418		1,568,816		1,307,680
Use of money and property		6314,660		7,154,235		7,069,758		7,220,387		7,208,529
Charges for services		12,449,529		14,829,244		16,877,536		18,083,478		19,937,632
Mispellaneous		4,305,314		5,196,567		5,925,598		6,100,316		4,792,166
Represent costs		12,296,915		14,187,852		12,666,645		8,337,397		8,620,136
Intergovernmental		129,148,556		113,534,988		117,797,242		125,574,811		122,498,492
Total Revenue	4	483,920,021	-	494,613,018	- 5	524,819,177	- 5	551,861,147	5	560,228,245
EXPENDITURES:	-		-		-		_		_	
General government	3	64,390,732	1	65,578,006	5	88,834,205	5	101,191,123	5	107,878,689
Judicial administration		35,360,950		37,456,654		40,889,147		44,115,143		46,015,225
Public selety		86,236,346		91,464,166		93,709,757		96,884,619		163,792,189
Public works		67,255,473		59,254,204		34,276,568		36,775,654		42,909,508
Health and public assistance		\$8,326,033		61,696,267		65,666,065		65,364,955		66,221,236
Culture and Represting		-31.818.823		52,108,630		32,833,720		37,332,438		41,305,827
Education		90,023,000		91,864,910		92,594,910		97,594,910		6,542,288
Community development		8,548,376		7,125,756		6,465,510	_	6,182,579	_	101,094,910
Total Expenditures	3	441,396,733	- 3	437,550,595	3	455,273,212	3	485,441,021	3.	313,639,872
Excess of (deficiency) revenue over expenditures	_	42,423,288	_	57,062,463		69,545,965		66,420,126	_	44,568,373
Other financing sources (unex):	_									
Proceeds from sale of land	1	342,076	1		5		5		5	11,329,648
Proposeds of capital leaves		4,430,252		4,701,516		4,828,468		100		
Capital contributions										
Transfers in		10,449,842		11,193,036		11,835,850		11,824,628		19,000,000
Transfers out		(51,513,596)	_	(63,365,433)		(71,712,560)	_	(72,641,665)	_	(86,197,266)
Total Other Financing Sources (Uses)		(43,331,426)		(47,560,886)		(55,048,242)	_	(60,817,637)	_	(64,874,654
Special Dense										
Write off of uncellectible FEMA Grant			_	(3.113.624)	_	-	_	-	_	(64.876.605
Total Other Financing Sources (Uses) and Special		(43,331,426)		(50,674,510)		(55,048,242)		(60,817,037)		(64,875,605)
tems	_		_		_	14 10 1	-		-	
Net Change in Fund Balance		(985,135)		6387.953		14,497,723		5,603,089	5	(29,309,333

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2004 through 2008.

# PART IV ENTERPRISE FUNDS

# WATER UTILITY FUND

The City-owned water system (the "Water System"), operated by its Department of Utilities, is one of the largest municipal water systems in the Commonwealth. The more than \$20,000 people served by the Water System are distributed throughout the City, the Naval bases in the Citties of Norricki, Virginia Besek ("Virginia Besek"), and thesapeake ("Cheaspeaker"), and the U.S. Naval bases located in the City and Virginia Beach. A Naval base is the City of Portmound ("Portmound") is provided run water service. The distribution of average metered consumption in the fiscal year ended Jane 30, 2008, is shown in Table I'vi.

# Table IV-1 City of Norfolk, Virginia Water System Average Metered Water Delivered by Customer Fiscal Year Ended June 30, 2008

# | Metered Water | Delivered (MGD) | Percent of Total | 18.35 | 26.67% | 35.62 | 51.77% | 4.45 | 6.47% | 10.38 | 15.09% | 68.80 | 100.00% |

Source: Department of Utilities.

Source: Department of Utilities.

A. Jane Jo. 2008, the Water System had approximately 66,300 active accounts. The average annual daily amount of fluished water pumped for fload year ended June 10, 2008 was 66 million gallons ner day ("MOD"). Average day producion includes approximately 4.98 MGG of unaccounted for water due to loose, water used for fire protection and the fluishing of water mains. For fiscal year ended June 30, 2008, the System's sunaccounted for water level was approximately 4.98 WGG of unaccounted for water due to loose, water used for fire repotencies and the process of the suns of the superior of the suns of the superior water for the suns of the su

# Wholesale Contracts

A significant portion of the Water System's revenue is derived from wholesaling water to the U.S. Navy, Cherapeako, Portimouth and Virginia Beach. The City has wholesale contracts with the U.S. Navy

and Virginia Beach. In the absence of a wholesale contract, the City of Chesapeake purchases treated water from the City at a current rate of \$13.44 per 100 cubic feet. If a wholesale contract between Chesapeake and the City is received, the City anticipates the Chesapeake will continue to parchase treated water from the City pursuant to the wholesale customer treated water are coffinence. The City also has executed a raw water contract with Chesapeake and began deliver all excline the contract with Chesapeake and began deliver all each for whole final year coded June 30, 2006. In addition, the City has the City that the Cit

On July 1, 1979, the City Council established the Water Utility Fund as a distinct enterprise fund to count for all of the financial activity related to providing water services to its customers. Since its eption, the Fund has operated on a self-supporting basis.

inseptions, the risen has optimized on a rest-supporting basis.

Historically, regular annual transfers have been mide from the Water Utility Fund to the City's florest Fund for optimization of the City's investment in the Water System.

General Fund for opportunition-listed of these and an arturn on the City's investment in the Water System. Additionally, transfers have been mide to pay all dels service on given to the caused by the City prior to the centalion of the "pay" of the General City prior to the creation of the "pay" for all factors whater System and proceeds of water evenue bends. The Water Utility Fund is reported on an accusal basis of accounting.

City general obligation debt issued to finance water utility projects is carried as a liability on the Water Utility Fund palance sheet. The Water Utility Fund grovides the funds for debt service on such bonds.

# Water Rates

Retail rates are set by City Council. Effective in fiscal year ended Juna 30, 2004, the City Council hblished a long-term retail rate plan and starting in fiscal year ended Juna 30, 2007, water rates reace 3.5% annually and produces the following rates:

Fiscal Year Ended June 30,	Retail Rate
2009	\$3.61 per 100 cubic feet
2010	\$3.74 per 100 cubic fort
Thereafter	3.5% annual increases each July I

U.S. Navy and Chesapeake wholesale rate revisions for inclusion in City Ordinances are apply City Council. Virginia Beach formula driven biennial wholesale rate revisions are govern contract. In order to ancourage conservation, the current rate structure is a uniform rate per the against, with no quantity discourage. Retail customers are charged a monthly service charge.

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In March 2008, the City executed a Master Development Agreement with a developer for the development of the Wells Fargo Center (formally the Wachovia Center). The Wells Fargo Center is a mind-use privately financed reject composed of a high rise Class A office tower and residential units, as well as an adjacent retail development. The Wells Fargo Center project represents a combined investment and capacition of the downstown area of \$170 million. Construction on the project is underway and the Wells Fargo Center is expected to open in \$5pring 2010. The Master Development and Agreement requires the City to Insance the design, construction and equiphing of a parking garage under the office tower and a central public parking garage to zerve the entire Wells Fargo Center project. City has estimated that the design, construction and equiphing of the parking garage under the contract of the parking parage will center the contract of the parking parage.

The City also entered into a Master Development Agreement (the "Conference Center MDA") with RLL-Fulco Norfolk, LLC for the construction of a privately financed hotel adjoining a parking garage and conference center. The Conference Center MDA requires the City to finance the design, continuous and equipping of the parking garage (unlong other things).

gapticulately 32 million. Converted on the project is expected to begin in Spring of 2010.

City management plans to ask City Council to adopt increases in various parking rates and fines to become effective in late 2009 or early 2010.

# WASTEWATER UTILITY FUND

The City owns and operates a sanitary sewer system (the "Sewer System") which collects and conveys wattewater to the regional treatment agency, the Hampton Roads Sanitation District. Approximately 65,000 accounts located within the City are served by the Sewer System. Since July 1, 1982, the Wastewater Utility Fund has been operated as an enterprise fund.

As of June 30, 2008:			
Approximate population served	65,900 accounts		
Total wastewater pumping stations	129 pump stations		
Miles of gravity wastewater mains	816 miles		
Miller of constanger from major	67 miller		

Each outtomer using the City Sewer System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Established a long-term retail rate plan and starting in fiscal year ended June 30, 2005, the City Council established a long-term retail rate plan and starting in fiscal year ended June 30, 2006, wastewater rates increase annually by 4.0% and produces the following rates:

Fiscal Year Ended June 30,	Retail Rate
2009	\$2.89 per 100 cubic feet
2010	\$3.01 per 100 cubic fort
Thereafter	4% annual increases each July 1

## PARKING FACILITIES FUND

The City presently owns and operates 13 multi-level parking garages, 14 surface lots and 600 on-street spaces. These facilities provide a total inventory of over 19,000 downtown parking spaces.

The Parking Facilities Fund was established in fined year 1991. City general obligation debt issued to finance Parking Facilities Fund projects is carried as a liability on the Parking Facilities Fund's behaves sheet. The Division of Parking provides the funds for edbt service on such bonds. The Parking Facilities Fund's behaves sheet. The Division of Parking provides the funds for edbt service on such bonds. The Parking Facilities Fund balance sheet on June 30, 2008, presents total assets of \$162,273,650, which includes restricted investments of over \$5.1 million, to be utilized for gauge construction and required master indenture reserves. In addition, fixed such, is cluding parking structures, consist of over \$131 million of the total \$70.22. million in seasce. The Parking Facilities Fund also manages parking enforcement operations and master. The Parking Facilities Fund also manages parking enforcement operations and master. The Parking Facilities Fund also manages parking enforcement operations and proposed to the parking par

Transfers have been made from the Parking Facilities Fund to the Debt Service Fund to pay all debt service on general obligation bonds issued by the City to pay for Parking System improvements. Revenue of the Parking System has fully covered debt service on general obligation bonds issued for the Parking System.

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# PART V THE CITY OF NORFOLK

The City of Norfolk was established as a town in 1682, as a borough in 1736 and incorporated as a city in 1845. The City lites at the mount of the James and Elizabeth Rivers and the Chesapeake Bay, and is adjacent to the Atlantic Ocean and the cities of Virginia Beach, Porsmouth and Chesapeake.

# Table V-1 City of Norfolk, Virginia <u>Area of City</u>

Year	Square Miles
1950	37.19
1960	61.85
1970	61.85
1980	65.75
1990	65.98
2000	65.98
2008	65.98

# CITY GOVERNMENT

CITY GOVERNMENT

Norfolk is an independent, full-service City with sole local government taking power within its boundaries. In derives its poverning ambririty from a charter (the "Charter"), originally adopted by the General Assembly of Virginia (The "Ceneral Assembly") in 1918, which authorities a council-manager from 6 government. The City Council exercises all of the governmental powers conferred upon the City. Having sought and gained approval from the U.S. Justice Department and the General Assembly, the City are is citizens the right to elect the Hayor directly, effective May 2006. Previously the City's Mayor ladd been chosen by the City Council from among its members. This change added an eighth number to the City Council, with the Mayor effectly, effects the Mayor serve wasts with two members effect of from super wasts. The City Council from anong its members. This change added an eighth number to effect from super wasts. The City Council from anong its members. This change added an eighth number to effect the City council from the City Council from any waster of the City Council from any waster of the City Council from any waster of the City council from the City Council from any waster of the City council from the City Council from any waster of the City council from the City Council from any waster of the City council from the City of the City except those otherwise specifically covered by statutory provisions. The City Council also appoints certain boards, commissions and authorities of the City.

# Certain Elected Officials

The City's current elected officials include:

# Paul D. Fraim, Mayor

In May 2006, Mayor Fraim became the City's first popularly elected mayor in nine decades. Mayor Fraim is a 70-year incumbent on City Council, and was first elected Mayor by his peers in 1994. He has the preadest of the law firm Frain at Fiorella, F.C., and was first elected to City Council in 1996. He has seen that the contract of the City Council in 1996. He has been considered to the City Council in 1996. He has been considered to the City Council in 1996. He has been considered to the City Council in 1996. He has been considered to the City Council in 1996. He has been considered from the University of Kithenond, Kithenond, Virginia, Mayor Frain is an active member of the Virginia State Bar, the Virginia Bar Association and the Norfolk-Portsmouth Bar Association and has held a number of leadership positions in these organizations.

# Anthony L. Burfoot, Vice Mayor

Mr. Burfoot, representing Ward 3, was first elected to City Council in July 2002. He is employed, New York Life as a licensed Life and Aestuline Health Agant. Effective Meanure 1: 5 (White Work Life as a licensed Life and Aestuline Health Agant. Effective William 1: 1, the received way. The state of the council and the state of the council and Ambinistrative Supervision from Virginia State University, Petersburg, Virginia. He is involved in many civic and business activities.

## Daun S. Hester, Council Member

Mrs. Hester, representing Super Ward 7, was first elected to City Council in July 1996. Mrs. Hester is currently a comultant with Hester, Hester & Associates, Ltd. She received it Bachelor of Science degree from Vinjenia State University. Festerburg, Vigilad, and a Master of Arts degree to Bloating Human Development from The George Washington University, Washington, D.C. Mrs. Hester is active in many local professioned organizations.

## Paul R. Riddick, Council Member

Mr. Riddick, representing Ward 4, was first abetted to City Council in July 1992. He is the owner and operator of Riddick Funzal Servic. He attended Norfalk State University, Norfalk, Uriginia, and has an Associates in Art and Sciences Garge in Funeral Service from John Tyler Community College. Chester Virginia. Mr. Riddick to active in many local professional organizations.

# Dr. Theresa W. Whibley, Council Member

Dr. Whibley, representing Ward 2, was first elected to City Council in July 2006. She is an obstetrician and gyrecologist in private practice at Woman Case Centers, PLC in Norrials. Dr. Whibley is a graduate of Estatern Virginia Medical School, Jones Institute of Reproductive Medicalies, Norfolk, Virginia, Odd Dominion University, Norfolk, Virginia and the College of William and Wary, Williamburg, Virginia. Dr. Whibley is active in easiey local preferational opportunitions.

# Donald L. Williams, Council Member

Ats. Williams, representing Ward 1, was first elected to City Council in July 2002. Prior to running for Cameril, Mr. Williams served as a delegate in the Virginia House of Delegates from 1998 through Coll. 1 to its carrently predictor for the Hampson Roush Housing Center. He attended Old Dominion University, Norfolk, Virginia and obtained a real estate broker's license in 1983. Mr. Williams is active in many civic and business activities.

# Barelay C. Winn, Council Member

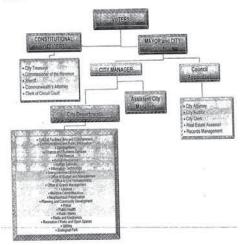
Mr. Winn, representing Super Ward 6, was first elected to City Council in July 2000. He is the Chief Executive Officer of Winn Nursery of Virginia, Inc. He received a Bachelor of Science degree from North Carolina State University, Raleigh, North Carolina. Mr. Winn is active in many civic and business activities.

# W. Randy Wright, Council Member

Mr. Wright, representing Ward 5, was first elected to City Council in July 1992. He is the owner of Randy Wright Printing and Publishing. He is involved in many civic and business activities, including, serving so the chairman of the Mayor's Ocean View Task Force and Economic and Community Business Development Committee.

# **Governmental Services and Facilities**

In Virginia, cities and counties are not overlapping units of government. Each city or county in a distinct political entity growling services for the population within its respective jurisdiction. The City of Norfole, provide a comprehensive range of part of the connection of the first of Norfole provide a convenience under Virginia law. The provide an environment within which the educational provides an environment within which the educational provides protection, fire and paramedical services, public health and social services, planning and zoning management, code enforcement, storem undermanagement, extern distinction, parks and cemeterics operation and maintenance, recreation and library services, exonomic development, solid waste disposal and general administrative services. In addition, users and wasterward utilities and parking facilities services are provided under an enterprise fund concept with user-charges set by City Council.



## Certain Appointed Officials

## Regina V.K. Williams, City Manager

Regins V.K. Williams, City Manager
Regins V.K. Williams, assumed the post of Norfolk City Manager in January 1999. Her
responsibilities include the supervision of the administrative operations of the City and the preparation of
its annual budget. She served as City Manager for the C. Type Total City and the preparation of
its annual budget. She served as City Manager for the City of Prote to serving in San Jose, Mrs. Williams
was appointed by Manager and Chief of Suff for the City of Richmond, Virginis. In 1983, Mrs. Williams
was appointed by then Virginia Governor Charles Robb as the first female and first African American to
be State Director of Personnel and Training. In 1991, the was inducted as a fellow into the National
Academy of Public Administration (NAPA). In 1983, Mrs. Williams was elected as Vice-President of the
Board of Directors for the International City-Courty Management Association (CitAM). She was
awarded the designation of manager of the year in September 2002 by ICMA. Mrs. Williams also served
as the President of the National Porum of Black Public Administration in 1995-99 and is a Guounder and
former President of the Richmond, Virginia Chapter of the Conference of Minosity Public Administration.
Masters degree in Public Administration from Virginia Commonwealth University, Richamond, Virginia.

# Alice M. Kelly, Acting Director of Finance and Business Services

Olice M. Relly commenced her tenure as Acting Director of Finance on June 23, 2008. At the direction of the City Manager, she is responsible for identifying strategic opportunities for the City in the policy areas of install on Installation of the City Manager, she is responsible for identifying strategic opportunities for the City in the policy areas of installation installation of the City which include cash management and investments, dath management and investments, dath management, financial seconnting and typolicy development. In addition, the investments, dath management, financial seconnting and typolicy development. In addition, the investments, dath management and investments, dath management and investments, dath management and investments, dath management and investments, dath of the company of the financial secondary of the company of the company of the City Installation of the City base and the City Installation of the

## Bernard A. Pishko, City Attorney

Bernard A. Pishko was first appointed by City Council as City Attorney in November 1997. He previously served as Depay City Attorney from 1989 to 1997 and as an Assistant City Attorney from 1984 to 1998. He has practiced less wince 1982. The City Attorney, is also general council for the Norfolix School Bourd, Norfolix Recurational Facilities Authority, Norfolix Community Services Board, Haspital Authority of Norfolix, Norfolix Recurational Facilities Authority, Norfolix Community Services Board, Haspital Authority of Norfolix, Norfolix Recuration of Norfolix Profits and Profits of Services Board, Haspital Community, Profits of Norfolix Board Profits of Norfolix Services and Community organizations. He received his undergraduate degree from Brown University, Providence, Roboc Island, as Masters degree in Business Administration from the College of William and Mary, Williamsburg, Virginis, and a law degree from the Marshall. Wythe Sohool of Law, Williamsburg, Virginis.

In Virginia, cities and counties are not overlapping units of government. Each city or county is a distinct political entity providing services for the population within its respective jurisdiction. The City of Noviolog providers a comprehensive range of public services classification of the form of government and provided provided as comprehensive range of public across classification of the form of government and population of the provided provide

# Other Governmental Entities

# School Board of the City of Norfolk

The seven members of the School Board of the City of Norfolk (the "School Board") are appointed by the City Council. The School Board is a corporate body and in its corporate capacity is vested with all of the duties, obligations and responsibilities imposed upon school boards by law. The City Council is recipied to appropriate aerusality to the School Board the amount needed for the support of the public schools in maintaining educational programs which need the standards of quility prescribed by law. Catagorical aid from the Commonwealth of Virginia and the foderial government eliquated for educational purposes is included in the City's General Fund budgetary revenue. This categorical aid, plus moises derived from local sources, provides the funds for the range of stane of the School Board's operations. On an engoling basis, the City also issues debt to finance needed capital projects of the school system.

The School Board presently operates 35 elementary schools, nine middle schools, five high schools according to the schools and schools including alternative, magnet and specialty programs. For the fiscal year ended June 30, 2006, the School Board's expenditures for education totaled \$279,570,982.

# Norfolk Airport Authority

The Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate and to promote industrial growth and contists of both an Airport Fund and an investment Fundament of the Commonwealth of the Co

The Authority finances individual capital projects by issuing bonds or obtaining loans and intergoveramental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related deligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments.

The Authority's Commissioners are appointed by City Council, but the Commission designates its own management and has oversight responsibility for its own financial matters. The City does not provide funds for the operations of the Authority, and parsuants to Section 144(q) of the City Contert, the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the egotion to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

Hampton Roads Regional Jail Authority

The Hampson Roads Regional Jail Authority ("HRUIA") is a regional organization which includes the cities of Hampson Newport News, Norfolis and Portsmouth, created for the purpose of providing, operating and manutaning a regional jail facility for the corrections overflow from each community. HRRIA is a primary government, with no component units, that is a body pollide and corporate parameters of the provided properties of the provided prov

mm is assumed annually 07 independent accountants that it engages.

The regional jail Eacliffy (the "Jail"), which opened in March 1978, consists of approximately
385.518 sousset feet of building rese, including three bonning building units, a support building and a
central plant. The Jail holds 875 inmates of which, 250 are designated to the City. The City is
reappossible for 32.57% of the total operating coal less the revenue derived from the Vergnia
Compensation Board and the per diem reimbursement from the Commonwealth for the bousing of state
immates.

The Southeastern Public Service Authority of Virginia

The Southeastern Public Service Authority of Virginia

The Southeastern Public Service Authority ("PSPA") is a joint venture of the cities of Chesapeake,
Franklin, Norfolk, Portmouth, Suffolk and Virginia Beach and the counties of lule of Wight and
Southampton, created for the purpose of providing, operating and maintaining a regional system for the
collection, trunsfer, repressing and disposal of solid water releas. PSPA on the component units, that is a public body pollic and southern the purpose of the southern of the southern the purpose of the southern of the purpose of the southern of the sout

The regional system includes a refuse-derived fuel plant and a fuel delivery system, located on federally-owned land in Portumouth, as well as solid waste transfer stations in each of the member jurisdictions, a landfill, relling stock and ancillar facilities, and an extensive recycling program which collects recycliable waste products from single-family homes and at drop-off centers.

Hanpton Roads Tramit (FRRT') was created on October 1, 1999, with the consolidation of the Tidewater Regional Transis and Punisuals Transportation District Commission. It is believed to be the first voluntary merges of public transis aperices in the nation. The district continues to be a political subdivision of the Commonwealth of Virginia, formed as a joint exercise of governments accordance with ne provisions of Chapter 23 of full 62 and 52 joint exercise of governments public transporation. The provisions of Chapter 23 of full 62 and 62 public transporation lower politic transporation. The public transporation of the public tran

The Hampton Roads (formerly Tidewater) Transportation District Commission, a political subdivision of the Commonwealth of Virginia, was formed on May 9, 1973, so a joint exercise of governmental power in accordance with provisions of Chapter 20 of Trills 15.1 of the Virginia Code.

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# ECONOMIC AND DEMOGRAPHIC FACTORS

# **Population**

As reflected in Table V-3 below, from 1999 to 2008 recently published population statistics suggest the City's population has now stabilized. The City is the second most populous city in Virginia, as shown in Table V-4.

# Table V-3 Population Trend Comparisons 1999-2008

Year	Norfolk (1)	MSA (i)	Virginia di	u.s. <sup>(t)</sup>
1999				
2000	234,403	1,533,739	7,078,515	281,421,906
2001	234,000	1,567,300	7,188,251	285,039,803
2002	233,600	1,574,500	7,276,785	287,726,647
2003	233,900	1,583,900	7,363,300	290,210,914
2004	235,200	1,605,900	7,454,688	292,892,127
2005	235,071	1,615,415	7,546,725	295,560,549
2006	234,219	1,619,600	7,628,347	298,362,973
2007	235,915	1,623,624	7,698,775	301,290,333
2008	235,092	1.626,767	7,769,089	304,059,724

Terms: Various Reports of the Bureau of the Centus and the Weldon Cooper Center for Public Service, University of Virginia.

vogana.

(1) For years 1999-2001, population estimates are from the Weldon Cooper Centur for Public Service, University of Virginia.

(2) For years 1999-2008, U.S. and Virginia population estimates are from the U.S. Census Bureas.

Table V-2
City Of Norfolk, Virginia
Contributions To Hampton Roads Transportation District Commission
Fiscal Years Ended June 30, 2005-2009

Fiscal Year	Contributions	
2005	\$	3,021,200
2006		4,559,463
2007		5,960,949
2008		7,047,624
2009		7,666,622

Sources: Approved Operating Budgets, Fiscal Years Ended June 30, 2005 through 2009.

Hospital Authority of Norfolk

The Hospital Authority of Norfolk (the "HAN"), which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, noel-for-profit political subdivision of the Commonwater cereated pursuant to an Agreement of Transfer dated July 1, 1983. The IANN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled marsing care.

Norfolk Redevelopment and Housing Authority

NorJolk Redevelopment and arrowing Authority ("NRIA"), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. The NRIA provides subsidized public housing and administer redevelopment and conservation efforts within the City in accordance with state and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. The NRIA development and understand the City, for the administration of such activities as community development and understand the City of the Administration of such activities as community development and understand the City of 
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Table V-4 Five Most Populous Cities in Virginia

City	2000 Census Population	2008 Population Estimate
Virginia Beach	425,257	431,451
Norfolk	234,403	235,092
Chesapeake	199,184	216,622
Richmond	197,790	195,463
Manager Manager	190.607	180.978

Source: Bureau of the Census and the Weldon Cooper Center for Public Service, University of Virginia.

Table V-3 provides an annual comparison of per capita personal income since 1997.

Table V-5
City of Norfolk, Virginia
Per Capita Personal Income Comparisons
1997-2006

	Year	City	ampton Roads MSA	State	U.S.
- 3	1997	20,361	22,838	26,307	25,334
	1998	21,406	24,026	27,780	26,883
	1999	22,131	24,912	29,226	27,939
	2000	23,523	26,360	31,083	29,845
	2001	24,767	27,767	32,511	30,574
	2002	25,346	28,784	33,033	30,821
	2003	26,672	30,057	34,001	31,504
	2004	28,114	31,540	35,841	33,123
	2005	30,162	33,259	37,968	34,757
	2006	31,459	34,858	39,540	36,714

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, 2008.

The age distribution of the City's population is presented in Table V-6.

Year	Population	Under 20	20-64	65 or Older
1960	305.872	39.8%	54.5%	5.7%
1970	307,951	35.4%	57.8%	6.8%
1980	266,979	30.7%	60.1%	9.2%
1990	261,250	28.1%	61.4%	10.5%
2000	234,403	27,3%	61.5%	11.29

Source: Various Reports of the Bureau of the Census.

# Housing and Construction Availability

Table V-7 provides an annual breakdown of residential building permits over the past 10 fiscal years.

# Table V-7 City of Norfolk, Virginia Residential Construction Fiscal Years Ended June 30, 1999 - 2008

Fiscal Year	Building Permits	Number of Units	(in t	Value housands)
1999	174	241	\$	21,872
2000	189	310	\$	38,735
2001	185	401	\$	35,109
2002	290	462	\$	44,491
2003	287	609	8	61,79
2004	506	766	\$	83,52
2005	560	1,191	5	204,39
2006	531	1,058	\$	133,05
2007	389	491	5	68,47
2008	277	815	5	101,21

Source: Permit Tracking System, Department of Planning, City of Norfolk, Virginia.

Table V-B presents annual soonesidential construction, which includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.

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Notes: (1) For year 2008, unemployment rates are for the stooth of December 2008.

# Table V-10 City of Norfolk, Virginia Civilian Employment and Average Weekly Gross Wages 3rd Quarter, 2008

	Number of Establishments	Number of Employees		Average eldy Gross Wage	Percentage of Employment
Construction	468	6,034	\$	820	4,20%
Manufacturing	169	7,221	5	903	5.03%
Trade, Transportation & Utilities	1,390	29,112	\$	3,439	20.27%
Information	122	3,516	\$	1,325	2,45%
Financial Activities	643	9,430	5	1,711	6.57%
Professional & Business Services	1,050	21,72	S	3,117	15,1354
Education and Health Services	660	35,867	5	1,477	24,97%
	609	12,97	5	655	9.04%
Leisure and Hospitality	609	3,87		531	2,70%
Other Services	78	F 5/E506		1,128	9.63%
Public Administration			7 5		
Natural Resources & Mining Total	5,802	143,59		11	100.00%

Source: U.S. Bureau of Labor Statistics. Virginia Employment Commission, Quarterly Control of Employment & Wages Program.

# Table V-8 City of Norfolk, Virginia Nonresidential Construction Fiscal Years Ended June 30, 1999 – 2008

Fiscal Year	<b>Building Permits</b>		Value housands)
1999	46	s	52,932
2000	45	S	138,472
2001	35	S	62,046
2002	53	S	51,451
2003	35	S	24,084
2004	59	5	134,197
2005	70	5	70,677
2006	60	\$	165,989
2007	55	\$	81,396
2008	35	\$	102,714

Permit Tracking System, Department of Planning, City of Norfolk, Virginia.

Businesses in the City provide residents with employment opportunities in a variety of industries of which services, government and trade are the most significant.

The unemployment rate for the City is illustrated in Table V-9.

# Table V-9 City of Norfolk, Virginia Unemployment Rates 1999 – 2008

	Year	Norfolk	Hampton Roads MSA	Virginia	U.S.
-	1999	5.0%	3.2%	2.7%	4.2%
	2000	3.3%	2.5%	2.3%	4.0%
	2001	4.3%	3.3%	3.2%	4.7%
	2002	5.5%	4.2%	4.2%	5.8%
	2003	5.7%	4.3%	4.1%	6.0%
	2004	5.5%	4.1%	3.7%	5.5%
	2005	5.4%	4.0%	3.5%	5.1%
	2006	4.2%	3.3%	3.0%	4.6%
	2007	4.1%	3.2%	3.0%	4.6%
	2008 (1)	6.6%	5.3%	5.2%	7.196

Source: Virginia Employment Commission.

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Economic development initiatives are focused on the attraction, expussion and retention of businesses, neighborhood and community revinitization and commercial corridor development. Some of the City-lead initiatives to stimulate connected evaluatization include: Tax Automents Programs, Federal Empowement and HUB Zones; State Enterprise Zones; Small Area Aesthetic Matching Grant Programs, Aeathetic Improvement Grant Pool; Pedestrian Commercial Overlay Zones; Tax and Grant Benefits; Concentrated Development Zone Incentives; public infinatructures; and amenities.

# Downtown Development

Downtown offers a mix of cultural attractions and entertainment for its citizens and tourists. Resulting from the coordinated efforts of the City, downtown property assessed value increased 69.43% from fiscal year ended

The current average vacancy rate for Doventown Class A office space is below 10%, as shown in Table V-11 below.

# Table V-11 City of Norfolk, Virginia Downtown Norfolk Vacancy January 2008

Class A	Rentable SF	Vacant SF	% Vacant
150 West Main Street	226,183	23,568	10.42%
Crown Center	62,000	2	0.00%
Dominion Tower	403,276	23,485	5.82%
Main Street Tower	200,000	17,151	8,58%
Norfolk Southern Tower	301,463		0.00%
Town Point Center	130,266	21,828	16.76%
World Trade Center	366,941	39,794	10.84%
Total	1,690,129	125.826	7,44%

Source: CoStar, March 2009

The Wells Fargo Center, a \$170 million dollar office, retail and residential development broke ground in May 2008 on Monticello Avenue adjacent to MaxArthus Center, Scope and Chrysler Hall. This try block development features a \$2-45 cty Class A office tower, which is 70% leasted. The project will also include \$0,000 square feet of retail shops, 162 apartments and 1,850 parking spaces in two garages to be built by the Class.

## Residential Development

Neighborhood revitalization is one of the City's core initiatives and part of the accountied development plan. By increasing the diversity of housing opportunities, the City respects to increase the discretization of the City respects to increase the discretization of the provides an extrement of the provides an extrement that will increase private sector investment, rettall sales generation and corresponding municipal revenue generation, create a framework for targeted and coordinated public and private investment and bailed upon and coordinate with other obsessing community

occeptionent intuitives.

Reidential liverationic confirmes to grave throughout the City. Several mixed-use offerings now being occupied Downstoon teclude: Harbor Heights, a \$57 million investment, 99 lofts, with a first floor restal groccy, integrap parking and two floors of administrative space for Hidewater Community College, \$15, Paul+F Pice is complete with 90 cendors alongside the MacArthus Center bringing a mix of historic floor of the particular of t

Residential development also continues to grow in areas beyond Downtown Norfolk. In Larchmont, located on the very side of Norfolk, The Landings at Beiling Square, a 18d condominism unit between the continues of the condominism unit between the continues of the condominism unit leads to the continues of the condominism unit includes 12 new brick town homes on Church Street. These there to four bedroom units are priced between 1516,000 and 1523,000. The River House, 2 537 million, 194-and Lauxy apartment community on Haven Creek at the Granby Street Bridge is currently being constructed. When completed, it will strengthen the River's occurrence community proposed to the control of the con

The seven-men proposal and the Chesapeako Bay known as Ocean View experienced redevelopment over the past decade. Most than 200 new homes have been built in Ocean View with an average region of the control of the con

Broad Creek is a \$200 million new community near Norfolk State University with 600 mixed-income homes. In Broad Creek, the region's first mixed-use, mixed-income community, construction is complete on 400 perial units and 70 homes. Construction on Broad Creek Village, a mixed-use residential and retail development began during 2000, and to being followed by Broad Creek's fleat phase of 200 mixed-income residential units north of Princes Anne Road.

The City is also redeveloping the Fort Norfolk area, which is a 30-acre urban notarrious area italiang. Downstown Norfolk to the region's medical complex and Gluent community. In the Forthold section Control of the C

Chesapeake Bay, as well as the recently rehabilitated Haven Creek boat ramp with access to the Lafayette River. The golf courses are also located within the City.

Norfolk is home to the Norfolk Tides, (a AAA mirror league baseball team), the Norfolk Admirals (a AHL hockey team) and hosts Arena Racing USA on an indoor track. Od Dominion University will begin a football program in the fall of 2009, adding to the long-established football program at Norfolk State University.

# Norfolk's Educational Institutions

Available within the City are a wide variety of educational facilities including public elementary, middle and high schools, private and parochial schools, two universities, one college, one community college and a molical school.

# Public Schools

Norfolk public schools have a low pupil-teacher ratio with class sizes well below the national average. Norfolk offers innovative public school programs, which include Early Childhood Chatation, a unique, comprehensive program for three and low-year-olds and their parents located in the public housing community of Diggs Town, at the Park Place/Colonial Place Community Center and at Ocean Art Elementary.

Approximately \$90 million has been recently invested in Norfolk public schools facilities including. Facilities receiving renovations and new construction include Norview High School, Blair Middle School, Bay View Elementary, Granby High School, Taylor Elementary and the School of International Studies at Mealowbrook.

The City is home to the Governor's Magnet School for the Arts, Virginia's only magnet school the arts, which offers classes in performing or virsul arts to approximately 300 sudenot from six cit and two countries. The chool system also has a program for gifted science students that enables them study at Enterto Virginia Medical School.

which broke ground in February 2009, is expected to also include a jazz club/restaurant, retail shops and a

Norfolk offers a mix of cultural attractions and entertainment for its citizens and tourists. Recently, investments in this segment include restoration of three live performance theatres, the construction of a cruise terminal building and supgrades to vic'v eneuse. Norfolk is shown to the Chryler Messeum of Art, Virginia Arts Festival, Virginia Ballet, Virginia Opera, Virginia Stage Company and Virginia Symphony. Norfolk's entertainment and theatre eneuse inclode the Antuc's Theatre, the Harrison Opera House, Chrysler Museum, and the "Theater District" which includes Chrysler Hall, Jeanne and George Roper Theatre, Wells Theatre and the Problem of the Chrysler Hall, Jeanne and George Roper Theatre, Wells Theatre and the Problem of the Chrysler Hall, Jeanne and George Roper Theatre, Wells Theatre and the Problem of the Chrysler Hall, Jeanne and George Roper Theatre, Wells Theatre and the Problem of the Chrysler Hall, Jeanne and George Roper Theatre, Wells Theatre and the Problem of the Chrysler Hall, Jeanne and George Roper Theatre, Wells Theatre and the Problem of the Chrysler Hall, Jeanne and George Roper Theatre, Wells Theatre and the Problem of the Chrysler Hall, Jeanne and George Roper Theatre, Wells Theatre and the Problem of the Chrysler Hall, Jeanne and George Roper Theatre, Wells Theatre and the Problem of the Chrysler Hall, Jeanne and George Roper Theatre and the Problem of the Chrysler Hall, Jeanne and George Roper Theatre and Theatre an

## Cruise Norfolk

The 80,000 aquare foot Half Moone Cruise & Celebration Center opened in spring 2007. The cruise terminal is tocated in the harbor between Town Point Park and Nausicus/Battleship Wisconsin. Norfolk is a homegorn for Royal Caribbean International and Carnival ships, which provide regulate service to Bermuda, the Bahaman and the Caribbean. During the 2008 cruise season, 90,000 cruise ship passengers traveled from Norfolk. Norfolk was selected by Protrible Cruise Magazine with the "2008 Editor-in-Chief Award" naming Norfolk "Best Up-and-Coming US. Homegord" and was also selected as one of the American Public Work x Jacocidator' Public Work Project of the Vest of 2008.

## Norfolk Airport Authority

The Norfolk International Airport (the "Airport") is served by American, Continental, Delta, Northwest, Southwest, United Express and US Airways. In 2008, 3.5 million passengers used the Norfolk, a 4.45% decrease from 2007. In addition, over 64 million pounds of eages flowed through the airport. In Norfolk, service has remained stable over the past two years, with an average of \$5 daily departures.

The City continues to be a rational lated in host performance with growth in hold occupacy rates. Currently there are eitered hosts under construction or proposed in Downwise Notebla. A 573 million, 301 room, Westin hotel is plasmed to be built adjacent to a new city conference center at the corner of Crashy and Main Stevens. This 23-story building will include recidental condex above the hotel as well as integrated parking. A nin-story, 160-room Residence Inn by Marriest located in Downtown Norfolk in Bramhelson between Date and Bloach Stevens it aspected to open in April 2009.

# Waterfront Recreation Investment

Over \$17 million of overall investment has been made recently slong Norfolk's waterfronts. Town Point Park, located downstown along the Elizabeth River, brings thousands of visitors downstown annually and generates both tax and parking revenue for the City. In 2007, visited sponding in the Park exceeded \$37 million. Construction began in October 2006 on the first renovation in its 23 year history. In Occasi 150 million, private investment bringing 50 new recreational both stips to the area. This marina complex is being expanded to include retail boart showncoms, a boat repair facility, condominisms and restaurant or retail offerings. East Beach, located on the Chaepasele Bay, was annued one of the top restored backles in America by the American Shore and Beach Preservation Association due in part to the investment of \$2.5 million foliate in Deader retails flower.

## Sports and Recreation

Norfolk has several waterfroots with the Chesapeake Bay on its North boundary and two major rivers within its boundaries. The City has a public boat ramp in Willoughby Spit with access to the

Student population for the past five fiscal years is shown in Table V-12.

# Table V-12 City of Norfolk, Virginia Public Schools Student Population Fiscal Years Ended June 30, 2004 – 2008

Fiscal Year	September 30 Membership	Percent Change
2004	34.030	-0.93
2005	34,445	1.28
2006	34,063	-1.12
2007	33,593	-1.38
2008	32,947	+1.92

# Higher Education

Norfolk is bome to five institutions of higher learning: Old Dominion University, Norfolk State University, Verginia Wesleyan College, Tidewater Community College and Eastern Verginia Medical School. Old Dominion University ("ODU") is one of only 100 public research universities automitied, with a full and part-time enrollment of over 22,000 students. Norfolk State University is Virginia's tagest public, historically black university and the suversit largest right enrollment and the control of the property of the suversity and the suversit largest right enrollments.

# Institutional Technology Parks

Old Dominion University — University Village. OOU, in partnership with the City, the Norfolk Redevelopment and Housing Authority, and private developers, has initiated a large sealer, mixed-ware development project, this redevelopment project, the University Village, will directly inpact 7s acres (13 City Books) and result in over \$250 million in private and public investments. The project includes antenn bussing, restal, a convocation enter, parking, research/effec buildings, apartnersh and a hotel. The research park, named franovation Research Park, is one of a few research park in the country located on the camps of its research introduction. The second phase of the park is currently under construction.

Norfolk State University — The Research and Innovations to Support Empowerment ("RISE") Center. The RISE Center, I coated on the campus of Norfolk State University is designed to promote and technology. The first phase of the Marie V. McChemmond Center for Applied Research houses classrooms, labs and offices for professors in zeros such as materials research, engineering and computational science, as well as the office of research and technology.

# Norfolk's Medical Institutions

Within the City, there are five general, acute care and specialized hospitals including Sentara Norfolk General Hospital ("Sentara Norfolk General"), Sentara Leigh Hospital, Bon Secours DePaul Medical Center, children's Hospital of The King's Daughters ("CHKD") and Lake Taylor Transitional Care Hospital ("Lake Taylor Transitional"). Sentara Norfolk General opened its new \$100 million heart hospital is released 22,54,500 square feet center. The heart bospital is releasing the way for Sentara's 2010 expansion plan for the medical complex. Lake Taylor Transitional enhancement of the Complex Lake Taylor Transitional rehabilitation department for executing warned with the "Better Health Award of 200" by Oid Dominion University's College of Health Science department for their innovation of Sening the first relational confidence department for the area to "Withhilliance" CFMKD, the size of Vinginat's only free transiting, full-service podiation.

hospital, has received permission to add 26 beds, bringing the hospital's capacity to 212. The expansion is expected to be completed by November 2010.

## The Virginia Port Authority

In 1981, the General Assembly passed landmark legislation designed to unify the ports in southeastern Virginia Hampton Roads harbor under a single agency, the Virginia Pent Authority, with a single operating company, the Virginia International Terminals, Inc. The Port of Virginia, one of the world's largest natural deep-water harbors, is an integral part of Norfolk's economy.

The Virginia Port Authority is one of the top three ports on the east costs in terms of total value of port trade. Over 17.8 million toso of cargo shipped from the region's three main marine cargo terminals in 2008. The cargo volume shipped in 2008 increased by 20.0% over the past five years. As a result of the creates of September 11th, concern for security risk has increased. The Fort of Virginia is one of the few U.S. Customs ports utilizing a comporterized, truck-mounted gamma-ray machine to check containers' demity. This technology allows monitors to ensure that the cargo being tested is what it is supposed to be and takes only six seconds per containers.

# Table V-13 Virginia Port Authority Terminals General Cargo Tonnage Calendar Years 2004 – 2008

Calendar Year	Total General Cargo Tonnage (000's)	Percent Change over Previous Year
2004	14,858	6.25%
2005	15,964	7.44%
2006	16,583	3.88%
2007	17,726	6.89%
2008	17,833	0.60%

Source: Virginia Port Authority.

Port-related business increases at the Virginia International Terminals drive new capital investment into the region. By 2012, a 300-acre expansion of Norfolk International Terminal will be completed making it the largest inter-modal content in the United States.

# Business, Industry and Commerce

Several major companies are headquartered in Norfolk, including:

- Norfolk Southern, a Fortune 500 company and one of the country's largest railroad
- Norfolk Southern, a Fortune 50c company and one on use stem-yearchery operators;
  Laidmark Communications, one of the country's largest privately owned media companies with ownership of several daily newspapers, local TV enations, and specially publications;
  a point and operating the publication of t

Table V-14
City of Norfolk, Virginia
Major Non-Government Employers in 3<sup>rd</sup> Quarter 2008
Product/Service

Company	Number of Employees	Product/Service
Company	1,000+	
Sentara Healthcare		Health Care Network
Children's Hospital of the King's Daughter		Health Care Facilities
		Education
Old Dominion University		Education
Norfolk State University		Private College
Medical College of Hampton Roads		Shipbuilders and Repairers
Norshipco		Health Care Facility
Bon Secours DePaul Medical Center		Banking and Credit Card Service Center
Bank of America Card Services Corp.		Financial Recovery Services
Portfolio Recovery Association		Financial Recovery Services
	500 - 999	
United Services Automobile Association		Insurance Support Center
Wal-Mart		Retail
Bank of America		Banking.
Maersk Line Limited		Shipping Company
		Ports
Virginia International Terminal		Newspaper and Media
Landmark Communications, Inc.		Healthcare Network
Sentara Health Management		Communication System
The Titan Corporation		Retail
Fann Fresh		Research
ODU Research Foundation		Financial Services
American Funds Service Company		Education
Tidewater Community College		Systems Analysis and Design
Electronic Data Systems Corp		
Dominion Enterprises		Electronic Modia
7-Eleven		Retail
Tidewater Wholesale Geocery		Retail
CooperVision Inc.		Contact Lens Manufacturing
Virginia Wesleyan College		Education
CPAOLLC		Port Services
McDonald's		Retail
CMA-CGM (America), Inc.		Shipping Company
	250 - 499	
Food Lion	200000000	Retail
Personal-Touch Home Care, Inc.		Comprehensive Home Care Services
Colonna's Shipyard		Ship Builders and Repairers
		Plastic Extractions
General Foam Plattics Corporation		Health Services
Lake Taylor Transitional, Inc.		Office Staffing Services
Office Team		Craft Labor to the Marine and Industrial Sector
Amer-Force Craft Services, Inc.		Ship Builders and Repairers
Metro Machine Corporation		Transportation
Transit Management Company		Tramponation

Source: Virginia Employment Commission.

- . CMA CGM (America), Inc., one of the world's largest container transportation and

- shipping company;
  Perfullo Recovery Associates, a firm whose primary basiness is the purchase, collection and management of defaulted customer receivables; and
  BlackHawk Preducts Group, which provides tactical gear such as holsters, body armor, and backpacks to the U.S. Defanse Department and law enforcement agencies throughout the world.

Additionally, there are a large variety of industrial, commercial and service employers are located within the City. Table V-14 presents data regarding the major non-government employers in the City.

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Table V-15 is a representation of selected business and residential growth or expansion for the period 2008 - 2009.

Table V-15
City of Norfolk, Virginia
Business Growth
A Sampling of Business Activity in 2008-2009

Conquer	Type	60	COTA	(mit)	
Ol Twenty-One	Mined-san residential apartments & intel	N N	0	\$ 40.0	
key Village Condominiums	Senior only ensistences	- H	Α.	\$ 15.0	
attimuse all Freemanon	Apartments	- H	D.	3 43.0	
applied Cyrondy American Funds	Fished	1	D.	3 80	
MACGM	Americas Readquarters, shipping line	- 1	Α.	3 1.1	
sennunder Curporum Center	Second office huilding for spec	- 34	Α.	1 110	
ompace Youth Services	\$ 500 of office Sex space	1	C.	\$ 0.7	
Assession Europeanus	Headquarters - Clary A office space		C	\$ 11.0	
art Brack Villas	Mixed-um retail / residental	N	C	70/9	
YMI	New education and research building	N	B	\$ 99.0	
on Norfolk Plans	Morel on medical office, estal	N	0	\$ 10.0	
Start Station	Mired-use Class A office, setal	N/	- 0	\$ 301	
Silah Oyes	Building rehabilitation and Hum	14	- 0	1 10	
Punky Village	Recognition and market upp waterfree residential	1	D	\$ 357	
Samphon Man	Time .	N	Ä	\$ 20.0	
Safter Hargins	Mines use encidential, grouply and TCC offices	W	Ĉ	\$ 167	
Same Tener Expension	Committee of existing and commution of new growny state	1	A	16	
Got Control	Community assess	14	A	3 84.0	
androts Point	Recording Species	H	Ĉ	1 1	
A Quinta	Distriction incorp	N	è	1 1	
Adams Office Tower	Dice office times	H	A .	5 22	
Sam Cranes of PRT	Actived May 18 (2)	- 8	- 2	3 36	
furfulb State University (MSU)	Utrary and student center	- 18	A	\$ 75.0	
Sul Donamon University (COU)	Essecutions Research Park X	N	D.	8 33	
Ma Deminion University (OCU)	Allocated Rest Governor's Industriagent	1 14	A .	E 10	
that Duminion University (ODU)	Dockster	N N	1 2	1 1	
Bid Dominion University (ODU)	Docksters  [Art splictes and parking deak	N	- 6	1 10	
36 Deminion University (COA)	Under Einers serier	10	è	3 28	
36d Dominion University (ODU)	Fooders towers correct Fooders' student recording and one parking garage	1 1	- 0	1 31	
36d Dominion University (COV)	Province statement returnation and new parting garage.  Plear brainity office in Otto:	1 1	- 6	1 2	
F&F LLC		1	0	1 1	
	Office/flex (4th hallding on sits)	- 4	- 0	\$ 35	
Residence Inn by Marriott	Extended step total	- 11	0	1 H	
Grecoide Terrese / Westpurt Sonnes Offices	Pleasing terrebrases and condensariums \$45,000 as ft office Papler Halls	H	- e	8 9	
Seitura Offices	Mayoration	1 1	- 0	1 1	
	120 accentum	10	1 6	5 13	
SouthWird Apartment Community		H	0	\$ 11	
Springfill Seiter by Marriett	Plated Diadroi armer	H	, ¢	3 17	
100		H H	- ĉ	3 13	
The Franklin	Mixed-use upscale condominates and professional offices				
The Market or Glores	Expansion to existing Farm Fireth store	I I	C D	\$ 3	
The River House Appetasests	197 apertnents	N N	0	1 78 1 78	
The Tide	Light Rail states system				
U.S. Oyprom	Manufactures building materials	II.	C	\$ 172	
Villages at Broad Creek	Residential/relad		A		
Virginia Arts Fentival Headquarters	Offices and reheated studies	H	A	5 3	
Vogata Zoo	Trail of the Tiger	T.	D	1 12	
Wells Fargo Centre	Mined-use Class A office, retail and residential	N	0	\$ 170	
Wal-Mart Neighborhood Grocery	Resovation to slid growny store	16	C	\$ 30	
Weetin Hotel & Conference Center	Hotel and conference center	H	- D	\$ 150	

Source: Economic Development Department, City of Norfalls, Vaginia
EN - Espansion or New, CIDA - Completed, Under Development, or Associated

## Military

The presence of the military in Norfolk has a significant impact on the local economy. The City is the home of the world's largest naval complex, with headquarten: for Commander in Chief of U.S. Atlantic Command, NATO's Supreme Harden Command, NATO's Supreme Harden Command, NATO's Supreme Harden Command, NATO's Supreme Harden Commander in Chief U.S. Atlantic Accommander in Chief U.S. Atlantic Accommand and Marketine Defense Zone Atlantic Lar Command and Marketine Defense Zone Atlantic Lar Command and Marketine Defense Zone Atlantic Lar Command Large Marketine Command Atlantic headquarters in downtown Norfolk.

The U.S. Navy's direct economic impact on the region was \$13.9 billion in 2007, comprised of a total annual payroll of \$7.8 billion and the balance consumed on goods and services and procurement contracts. The City expects to continue as a center of activity for the U.S. Navy with current total personnel (military and civilian) in coress of \$69.00. There user \$0.35 yea carieve day U.S. Navy military personnel in Hampton Roads in 2007, of which 68% were assigned to Norfolk.

The Navy's newest local command, the Navy Reserve Forces Command, is relocating to Norfolk from New Orleans in 2009. The Reserve Forces Command is the global headquarters for more than 68,000 reserve salies and will bring approximately 400 military and critical employees to Hampton Roads. The Command is responsible for randiness, oversight, manpower management, legislate, mobilization and training of reserves allores.

Although the military remains a key part of Hampton Roads' economy, the region has successfully diversified its economy in recent years.

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## APPENDIX A

CITY OF NORFOLK, VIRGINIA GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008



Independent Auditors' Report

The Honorable Members of City Council City of Norfolk, Virginia:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, such major fund and the aggregate discretely presented component units, such major fund and the aggregate remaining fand information of the City's of Norfold, Virginal (the City) as of and for the year need at 100, 2006, which collectively comprise the City's basic financial statements as listed in the tuble of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express on these financial statements based on our audit.

opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit feedberg exception are standard to the financial statement and the standard statement and the exception of the control of the control statements are the control of the control statement and the control of the control over financial reporting. Accordingly, as a special control over financial reporting. Accordingly, as a second over financial reporting accordingly from the control of the control over financial statement presentation. We believe that our audit provides a reasonable basis for our opinion of the control over financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

cass ser our opinion.

In our opinion, based on our sudit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fand, and the aggregate remaining fand information of the City us of Jun 20, 2008, and the respective thateget is finely applicable, each flows thereof for the year then ended in conformily with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis and the other required supplementary information are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedure, whenther of generally accepted accounting principles. We have applied certain limited procedure, and principally of inquiries of management regarding the methods of manamement and presentation of the required supplementary information. However, we did not adult the information and expects to opinion on

KPMG LLP

January 16, 2009

RPMO LLP, a U.S. Social Sub-Sty partnership, is the U.S. monther from of RPMO transactions, a Swiss cooperative

# MANAGEMENT'S DISCUSSION

# AND ANALYSIS

(Unaudited)

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# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

The management of the City of Norfolk (the "City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. As readers, you are encouraged to read this discussion and analysis in conjunction with the transmittal elter and City's financial statement information included in this report.

# Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2008 by \$739,075,748 (net assets). Of this amount, \$163,303,320 (unrestricted net assets) may be used to meet the government's ongoing obligations to distants and oreditors. Although total net assets decreased by \$33,624,698, unrestricted net assets increased \$1.451,232.
- As of the close of the current fiscal year, the City's governmental funds reported
  a combined ending fund balance of \$234,364,237, an increase of \$37,432,904 in
  comparison with the prior year. This increase was primarily attributable to
  Capital Project's fund receiving over \$134 million from the sale of capital
  improvement bonds during the fiscal year. Approximately \$134,793,000 is
  available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the total unreserved fund balance for the general fund was \$56,301,954 or 6.94 percent of the general fund budget.
- The City's total outstanding bonded indebtedness increased by \$174,405,878 during the current fiscal year.

# Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financials statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time,

## CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollocted taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, public health, and culture and recreation. The business-type activities of the City include Water Utility, Wastewater Utility and Parking Facilities enterprise activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: Norfolk Public Schools (School Board') and the Norfolk Community Services Board ("CSB"). Financial information for these component units is reported separately from the financial information presented for the primary government and can be found on pages 28 - 29 of this report.

Fund financial statements – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the basic financial statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as no balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental wide financial statements. By doing so, readers can better understand the long-term

3

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

impact of the government's near-term financing decisions. A reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance for the general, capital projects and debt service funds, all of which are considered major funds. All other governmental funds are combined in a single, aggregated presentation, individual fund data for each of the non-major funds are presented separately in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its various funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided in this report.

The basic governmental fund financial statements can be found in pages 19-22 of this

Proprietary funds – The City maintains two types of proprietary funds: enterprise and internal service.

The enterprise funds are used to account for its Water Utility, Wastewater Utility, and Parking Facilities operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City has two internal service funds, Fleet Maintenance and Storehouse operations. Because both of those services predominantly benefit governmental functions, they are included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Utilities and the Parling Facilities operations, all of which are considered major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in this report.

The basic proprietary fund financial statements can be found on pages 23-25 of this

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The fiduciary funds of the City include the City's pension trust fund, the

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

# Summary of the City of Norfolk's Net Assets

	Governmen	Governmental Activities		Business-Type Activities		of s
	2006	2007	2008	2007	2008	2007
Current and Other Assets Capital Assets Total Assets	\$ 332,622,875 827,222,677 1,159,845,552	\$ 271,839,863 797,437,136 1,069,276,999	5 139,159,421 737,541,174 876,700,595	8 84,433,802 708,201,560 792,635,362	5 471,782,296 1,564,763,851 2,036,546,147	\$ 366,273,685 \$1,505,638,696 1,861,912,361
Long-Term Liabilities Other Liabilities Yotal Liabilities	668,105,265 68,760,430 736,865,695	\$\$7,590,347 44,488,570 602,078,917	546,309,678 14,295,026 560,604,704	467,437,702 19,795,296 487,232,998	\$1,214,414,943 83,055,456 1,297,470,399	\$1,025,028,049 \$ 64,283,866 1,089,311,515
Net Assets: Invested in Capital Assets Net of Related Debt Restricted Unrestricted Total Net Assets	325,172,979 6,890,090 90,916,788 \$ 422,879,837	332,987,759 6,731,395 127,478,928 3,467,198,082	241,203,359 2,506,000 72,386,532 \$ 316,005,891	268,503,204 2,506,000 34,373,160 8,005,402,564	566,376,338 9,396,090 163,303,320 5 739,075,748	\$ 601,490,963 \$ 9,257,395 \$ 161,852,088 \$ 772,600,446

For governmental activities, total net assets decreased by \$44,218,225 or 9.5 percent overall during the current fiscal year. Factors that contributed to a change in total governmental net assets include: an increase in governmental fund balances of \$37,432,904 (19.0 percent), an increase in internal service fund net assets of \$548,711 (5.0 percent) and an increase in capital assets net of accumulated depreciation of \$59,902,725 (3.8 percent). The overall decrease in total government net assets was driven by increased liabilities of \$112,102,805 (21.1 percent). These fabilities primarily reflect the increase in bonds payable for the governmental truth of \$107,702,962 (18.2 percent) as the City issued bonds during the year based on cash flow requirements for capital projects.

For business-type activities, net assets increased by \$10,693,527 or 3.5 percent during the fiscal year. Of this amount, \$5,528,958, \$5,444,499 and \$(279,930) are changes attributed to the Water Utility, the Wastewater Utility and the Parking Facilities funds, respectively.

Key programmatic and functional elements of these changes in government wide net assets are demonstrated on the following page:

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

Commonwealth of Virginia agency fund and another agency fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used in proprietary funds.

The fiduciary fund financial statements can be found in pages 26-27 of this report.

Notes to the financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 30.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide persion and other post-employment benefits to its employees. Required supplementary information can be found on pages 83-86 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 87-90 of this report.

## Government-wide Financial Analysis

Over time, net assets may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$739,075,748.

By far, the largest portion of the City's net assets, \$566,376,338 is its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any outstanding debt related to acquiring the assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, approximately 1.3 percent represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$163,303,320 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

# Changes in the City of Norfolk's Net Assets

	Governmen	tal Activities	Business-T	Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007	
Revenues:							
Program Revenues:							
Charges for Services	\$ 40,198,559	\$ 37,250,718	\$ 119,582,140	\$ 113,729,454	\$ 159,760,708	\$ 150,980,172	
Operating Grants & Contributions	112,960,555	115,779,248			112,960,555	115,779,248	
Capital Grants & Contribtuions			219,018	730,636	219,018	730,636	
General Revenues:							
Property Taxes	240,488,270	241,314,836			240,488,270	241,314,636	
Other Taxes	162,573,293	159,119,196			162,573,293	159,119,198	
Grants and Contributions not							
restricted for specific purposes	69,352,075	66,524,258			69,352,075	66,524,258	
Other	17,250,107	11,447,155	6,134,674	6,620,027	23,384,781	18,067,182	
Yotal Revenues	642,822,850	631,435,413	125,935,841	121,080,117	768,758,700	752,515,530	
Expenses:							
General Government	113.141.978	113,279,140			113,141,978	113,279,140	
Judicial Administration	48,593,034	45,543,748		- 2	48,593,034	45,943,748	
Public Safety	126,606,878	111,803,398			126,608,878	111,803,398	
Public Works	118.887.770	119,176,252			118,867,770	119,176,252	
Health and Public Assistance	95,233,711	93,774,433			95,233,711	93,774,433	
Culture and Recreation	56,889,946	52 965 158			56,889,945	52,965,158	
Community Development	15.345.403	14,771,583			15,345,403	14,771,583	
Education	101,094,910	97,594,910			101,094,910	97,594,910	
Interest on Long-Term Debt	21,457,483	19,618,419	100		21,457,483	19,618,419	
Water Utility			64,876,844	60,510,576	64,876,844	60,510,576	
Wastewater Utility			18.614.267	17,377,348	18,614,267	17,377,348	
Parking	production of the		21,530,174	18,861,388	21,539,174	18,861,388	
Total Expenses	697,253,113	669,927,041	105,030,285	96,749,312	802,283,396	766,676,353	
Increase (decrease) in Net Assets							
before Transfers	(54,430,254)	(38,491,628)	20,905,550	24,330,805	(33,524,698)	(14,160,823)	
Transfers	10.212.029	10.968.120	(10.212.029	(10.988,120)			
Increase (decrease) in Net Assets	(44,218,225)	(27,503,506)	10,693,527	13.342.685	(33,524,698)	(14,160,823)	
Net Assets Beginning of Year	457,198,082	494,701,500	305,402,364	292,059,679	772,600,446	786,761,269	
Net Assets End of Year	\$ 422,979,857	\$ 467,198,002	\$ 316,095,891	\$ 305,402,354	\$ 739,075,748	\$ 772,600,445	

# Governmental Activities: Revenues by Source



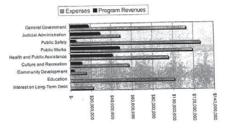
# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

Governmental Activities — Property taxes and other tax revenues increased 0.66 percent to \$403,061,563 and comprise 62.70 percent of total governmental revenues.

Operating grants and contributions for governmental activities ended the fiscal year at \$112,960,555 a decrease of \$2,216,693 over the prior year. Grants and contributions not restricted for specific programs represent intergovernmental grants and contributions from State and federal agencies. For the 2008 fiscal year, the City reported \$69,352,075 in grants and contributions not restricted for specific programs.

Depreciation expense for governmental activities of \$72,808,342 was recorded.

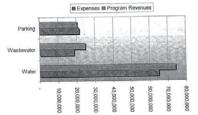
# **Governmental Activities Expenses and Program Revenues**



# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

Overall, operalling expenses in the Wastewater Utility fund were level from the prior year after a \$1,315.831 reduction in plant operations due to a decrease in major emergency repairs to pipes and pumps and other one-lime expenses in the prior fiscal year. The reduction in plant operation expenses was offset by an increase of \$1,256,613 in noncash expenses, provision for bad debts, depreciation, and other reserves, related to the increase in net capital assets reflecting the fund's continued improvement of the wastewater system. vastewater system.

## **Business Type Activities -**Expenses and Program Revenues



# Financial Analysis of the Government's Funds

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds — The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

Business-type Activities – Business-type activities increased the City's net assets by \$10,693,527. Key elements of this change are as follows:

- Revenue from charges for services for business-type activities increased by 5.15 percent. The Water and Wastewater Utility funds account for this increase.
- Water utility and wastewater utility tunds account for this increase.

  Water utility and wastewater utility changes for services increased \$4,424,056 and \$2,602,927, respectively, due to rate increases and an additional water wholesale customer. As part of the City's utility rate plan to improve utility infrastructure throughout the City, the Water and Wastewater Utility rates veriencessed by \$0.12/100 cubic feet and \$0.11/100 cubic feet, respectively. Water consumption and wastewater volumes did not increase appreciably during the fiscal year.
- Parking revenues decreased \$1,174,288 or 5.44 percent from the prior year, primarily as a result of closure of certain locations during construction of two new parking garages that will add additional capacity to the system in future years.



Operating expenses for Business type activities increased overall by \$5,465,319 or 7.20 percent.

The Water Utility fund increased operating expenses \$4.205,191 primarily a result of increase of energy and chemical costs. Energy increased 22 percent while chemicals increased 3 percent from the previous year. Management increased the allowance for bad debt in both the Water and the Wastewater utility funds to reflect the potential impact of the rate increases noted above and challenging economic environment facing many customers.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$234,384,237, an increase of \$37,432,904 or 19.0 percent. Of the total ending fund balance, \$99,671,442 or 42.5 percent is reserved. The reserved fund balance is that portion of the fund balance in a total valiable for new spending because it has already been committed to 1) liquidate contracts and purchase orders (\$92,681,392, 2) to generate income to pay for the prepetual cure of the municipal cemetery (\$6,293,375) and 3) for a variety of other restricted purposes (\$96,715). The remaining \$134,792,795 or 57.5 percent of ending fund balance in the City's governmental funds is available for spending at the government's discretion.

The City's primary governmental fund is its general fund. As a matter of fiscal policy, the City undesignated, unreserved fund balance is equal to five percent of the general government's and School Board's annual operating budgets, or \$40,536,112. The City designated \$15,765,842 of its fund balance for future expenditures related to a potential general economic downturn and for its self-insured workers' compensation and general liability programs.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues below projections by \$3,996,265. Total expenditures were less than appropriations by \$5,484,459.

General fund financial and budgetary highlights of the 2008 fiscal year include:

- As a result of strong housing and commercial property markets, current and delinquent real property tax revenues exceeded budgetary projections by \$3,421,450.
   Other local tax collections were less than budgetary projections by \$3,421,450.
   Other local tax collections were less than budgetary projections by \$3,165,927. A significant portion of this shortfall was created from weaker collections from sales and business license taxes. Communications taxes were greater than anticipated by \$1,619,360 primarily as a result of improvements in collections from telecommunications companies at the state level.
   Aid from the Commonwealth for local law enforcement, Virginia Juvenille Community Crime Control Act, maintenance of roads affected by Virginia Port activities, and shared expenses for the constitutional officers were less than budgetary projections by \$1,012,183 as a result of the Governor's October budget reduction plan to address a \$641 million state budget shortfall in the current blennium;
   Aid from the Commonwealth for education was less than budgetary projections
- current biennium;

  Aid from the Commonwealth for education was less than budgetary projections by \$1,616,809 as a result of lower growth in sales tax collections for education at the statewide level. The state had the weakest annual increase in sales tax collections since 2003 fiscal year; and
  Federal categorical aid in support of the school system was \$1,179,159 less than budgetary projections due to fewer enrolled students.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

Expenditure savings included savings from refuse disposal costs due to lower tonnage and savings that occurred in the debt service budget due to timing of bond payments. Expenditure increases were slightly offset by increases in Police and Fire and Rescue overtime costs. Planned expenditure savings of \$3.0 million will be used to supplement the Fiscal Year 2009 budget.

ntal appropriations or amendments of the total 2008 general fund budget

General Fund;	
Approved Fiscal Year 2007-2008 budget	\$ 795,835,700
Supplemental appropriations from additional revenue:	
Associpated revenue from Norfolk Redevelopment and Housing Authority for rest	300,000
Supplemental appropriations from general fund fund balance:	
Additional funds appropriated from fund balance for various programs.	9,186,521
Additional funds appropriated to cover costs associated with capital improvement increases	5,490,000
Total supplemental appropriations	14,886,521
Final budget	\$ 810,722,221

The Capital Projects fund, another major governmental fund, expended \$111,425,875 on major capital improvements during the fiscal year. The fund had a total fund balance of \$121,690,475. In the 2008 fiscal year, the City sold \$134,342,471 in general obligation bonds to fund these expenditures.

The Debt Service fund does not have any assets, liabilities or net assets at fisca end. During the year \$59,921,220 were transferred in from various funds to pay equal amount of debt service requirements.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

# Capital Asset and Debt Administration

Capital Assets – The City's investment in capital assets, net of related debts, for its governmental and business-type activities as of June 30, amounted to \$566,376,338. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, etc) machinery, and equipment. Infrastructure assets, represent 31.18 percent of total general governmental assets.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

A summary of the City's outstanding bonded debt is as follows:

# City of Norfolk's Bonded Debt

	Caramantal	Artheties	Business-Ty	pe Activities	Tot	alsele
	2008	2007	2008	2007	2008	2007
General obligation bonds Revenue bonds	\$ 571,138,165 \$	469,498,450	\$ 124,092,071 420,818,833	\$ 107,310,741 364,634,000	420,818,833	\$ 576,809,191 364,834,000
Tetal	\$ 571,138,165 \$	469,498,450	\$ 544,910,904	\$ 472,144,741	\$1,116,049,069	3 941,643,191

The City's total debt outstanding increased by \$174,405,876 (18.52 percent) during the current fiscal year. The City issues debt, in part, based on its cash flow capital needs which is the primary factor for this increase.

The development of the City's 5-year Capital Improvement Program and its related debt are guided by various debt affordability practices. These practices limit total tax supported (not supported by specific fees or charges) debt as follows:

Bonded debt service requirements will not exceed ten percent of general governmental expenditures; and

Bonded debt outstanding will not exceed 3.5 percent of the assessed value of taxable real property in the City.

Business type activities debt practices are governed by revenue bond indentures in addition to various rate affordability measures.

Credit ratings for the City's general obligation and water revenue bond programs are as

Bonding Program	Fitch Ratings	Standard and Poor's	
General Obligation	AA	AA	A1
Minter Province	AA	AA+	A1

The City's parking and wastewater systems do not maintain an underlying credit rating.

State statutes limit the amount of general obligation debt the City may issue to ten percent of its total assessed valuation. The current debt limitation for the City is \$1,840,185,107 which is significantly in excess of the City's general obligation debt

Additional information on the City's long-term debt can be found in Note VIII on pages 51-61 of this report.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

Some of the major capital asset events during the current fiscal year include:

- Commencement of construction on the City's 7.4 mile light rail project;
  Acquisition of property to support strategic development projects for over \$10 milion to include Southside initiatives and rights-of-way for light rail development;
  Acquisition of the historis Seaboard building and preparing it to become the site of the new downtown main library, investing over \$7 million;
  Expending over \$3 million to compete the new Pretiow Anchor Branch Library, which opened during the fiscal year;
  Investment of well over \$4 million in upgraded Police Training Facilities;
  Nearly \$2 million in continued Atlantic City / Fort Norfolk infrastructure improvements;

- Investment of nearly \$6 million during the year for the Norview Recreation

- Center:
  Expenditures of \$3 million toward the replacement of Coleman Place Elementary and nearly \$8 million overall in total school-related capital projects:
  \$6 million of various neighborhood conservation efforts continued in the City;
  \$3 million of infrastructure improvements were continued at the City's Broad Creek Renaissance neighborhood reviralization area and another \$3 million towards the Kroc Center development. Investment of \$5 million in maintenance and repairs to various bridges throughout the City; and
  Infrastructure improvements related to the downtown conference center continued. During the year, the City spent nearly \$3 million on such improvements.

	_	Government	u A	ctivities	Business-Ty	ge Activities	_	Te	tals	
		2008		2007	2006	2007		2008		2007
Land	T	40.351.264	1	37,896,651	\$ 48,287,029	\$ 43,099,824	7	88,638,293	*	80,995,475
Buildings & equipment		208.558.052		351 956 487	632,012,058	617,086,005	5	1,030,570,110	5	969,042,492
Improvements other than buildings		16,418,778		14 779 778	4 203 933	4.338.874		20,622,711	1	19,118,652
Construction in progress		114,741,897		99,768,540	53,038,154	43,676,857	1	167,800,051	1	143,444,897
Infrastructure		257,132,686		293,036,160			5	257,132,685	5	293,036,180
Total	5	827,222,677	5	797,437,136	\$ 737,541,174	\$ 708,201,560	3	1,564,763,851	5	,505,638,696

Additional information on the City's capital assets can be found in Note VII on pages 49-50 of this report.

Long-term Debt – At June 30, 2008 the City (including the enterprise funds) had total bonded debt outstanding of \$1,116,049,069. Of this amount, \$695,230,236 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2008

# Economic Factors and Next Year's Budgets and Rates

- Taxable assessments for commercial and housing property markets are projected to confinue to expand in the 2009 fiscal year by 5.5 percent;
   Other local taxes have not experienced a significant downturn and some are predicted to slightly increase. The following reflects major other tax change projections:
   Sales taxes 0.3 percent decrease;
- Sairo saxes u.S pertent declease;
   Business license taxes no change;
   Restaurant flood taxes 3.1 percent increase;
   Hotel and motel tax 8.4 percent increase;
  and
  Rate increases for both the Water and Wastewater utility funds continue to provide necessary funding to finance capital improvements.

All of these factors were considered in preparing the City's budget for fiscal year 2009.

The City appropriated \$6,895,800 of its General Fund balance for use in the fiscal year 2009 budget for non-recurring types of expenditures.

There were no changes in tax rates for the 2009 fiscal year. The following represents changes in fees implemented with the budget for the 2009 fiscal year:

Description	FY 2009 Approved	FY 2008 Approved
Wastewater Fees	\$2,89/100 cubic feet	\$2.78/100 cubic feet
Water Fees	\$3.61/100 cubic feet	\$3.49/100 cubic feet
Stormwater Fees - Residential	\$8.09/month	\$7.83/month
Stormwater Fees - Commercial	\$5.54/month per 2,000 sq. ft.	\$5.39/month per 2,000 sq. ft

# Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Objector of Finance and Business Services, 810 Union Street, Suite 600, Norfolk, Virginia, 23510.

# CITY OF NORFOLK, VIRGINIA Statement of Net Assets June 30, 2008

| Principle Questionness | Section | Principle Questionness | Principle Questionness | Section | Principle Questionness | Section | Principle Questionness | Section | Sectionness | Sec

17 te accompanying notes are an imagnal part of the basic

90.916,768 72.386,532 963.303.300 13.754,244 \$ 422,879,857 \$ 516,096,891 \$ 739,075,746 \$ 67,641,346

CITY OF NORFOLK, VIRGINIA Balance Sheet - Governmental Funds June 30, 2008 Exhibit A-1

			Wag	w Funds				lan-major		Total
	_	General		Capital		<b>189</b>	Ge	uemmental	G	ever-mental.
	_	Fund		Projects	Se	n/ice	_	Funds	_	Funds
ASSETS										
Cash and shortlern investments		51,735,145			8	100	1	37,717,075	5	89,452,250
Investments				131,137,629		-		72,000		131,209,629
Receivables, net										
Taxes		45,118,526				100				45,118,526
Accounts		2,531,218		*:				5,019,630		7,551,048
Notes		47,276								47,276
Aconyed investment income		9,811				191				9,811
Due from other funds		4,113,067		12,120,634				6,826,381		23,060,282
Due from other governments		22,159,547				14		9,067,782		31,227,329
Propoid expenses				-		-		15,500		15,500
Deposit with contractors				89,435				3,084		92,519
Other assets				7,000,000					_	7,000,000
Total assets	1	125,714,590	1	150,347,898	3	-	3	58,721,652	5	334,784,140
LABLITIES										
Vouchers payable	- 1	9.405.452		7.857.289	5	100		2,453,593		19,726,344
Employee withholdings		670,616								870,818
Contrast retainage				1,400,597				191,720		1,592,317
Account payroll		4.641.005		1,000				286,874		4,908,969
Annuel expenses								5,959		5,959
Due to other funds		6.648.265		678,703				1,717,796		9,044,764
Due to other poverments								8.336.364		8.336.364
Due to component units				18,715,372				23,705		18,740,077
Unearned revenue		29.948.443						812,620		30,761,063
Other labilities		6,229,369		3,372				100,447		6,413,208
Total labelities		57 743 407	_	28.657.423			_	14,919,976	_	100,419,903
FUND BALANCES	-		-	-						
Reserved for:										
Ensystrances		11,109,234		57,185,721		-		24,386,367		92,681,352
Perpetual care								6,293,375		6,293,375
Capital projects								30,715		36,715
Retirees' Me insurance - Nurse expenditures		560,000								560,000
Unvenerved reported in										
General Fund-Designated future expenditures		15,765,842								15,765,842
Capital Projects fund Designated Mure expenditures		-		64,534,754		-				64,504,754
General Fund - Underignated		40,536,112								40,536,112
Special Revenue Funds								13,996,067		13,996,083
Total fund balances		67,971,188	-	121,690,475	_	-	_	44,702,574	_	234.364.237
Total liabilities and fund balances	-	125,714,590	3	150 347 898	5		-	58,721,652	1	334,784,140

			States	ORJOLK, VI name of Activiti or Ended June	ies.				
							ter (Coppera) (Coppera)	Section and the heads	
			Programmes .		-		hims lowered		Samuel
		Charges for	Street	Explications.		and large test	Business Spire	Total	took
AND WITH	- American	Senter	_Contractor	_factbooks	-	Anna.	Arrelles		
many generatives									
Court provides	A SERVICE	8 5.000m	a suppose	E 10		CAMPAGE	A 0.	a process	
Autori percentalian	44,560,804	67(81	\$1,796,138			COLMORS.		con. MS. 500	
Public soften	100,000,070	2.00000	2,600,600			0.00.00		(71,461,166)	
August marries	10,007,770	27,750,016	\$6,000,000 66,000,000			CHARGE THE		(64,000,547)	
much art path matters	16,010,711	470.60	10470			94,100,605		PR 305 FSS	
Culture and numerical	10,000,000	TRACT	2,000,000			72/75.000		THE PERSON	
Commercia developitati Electrica	10,000					(FERTORS BIRTH)		DIAMES.	
Manager Supplier and	2145.60	- 2				ESUS.		DALBORS.	-
Total processor and the	66,0,13	4,9639	10,8838	-	-	per mi pro			
when the advisor				19.79		77	ACCUSANCE.	10000	
West	10,070,00	NUMBER OF THE PARTY OF		600			6,946,000	0.040300	
Bullette	21,510,170	31.65.10			_	_	CULTURE.	a todale	-
Parting Soldier	10,00,00	1939,16	-	7474		_	14,778,000	PARTITION	-
Total private government	#13 (H1, NH	100,700,700	THE RESERVE	Para		CHEST.	5,75,00	-	_
AND THE REAL PROPERTY AND THE PERTY AND THE									a passone
NAME AND DESCRIPTION	175,175,860	UNUM	\$50,000,007	8,840,840					0.791,745
Connects Services Record	10,044,721	1340.08	- LIGHT	1 100,00					PH 200 THE
and recommend to the	3 40,04,70	1 1,481.00	A DESCRIPTION	1 Coupe					
General reservoirs									
Tank		100000				per-en-174		340,460,270	
Served property	-					MI THE 241		4,50,50	
Compress of						14,781,678		0.000	
Balancel Sci						34.757.04E		parent.	
Ballet have	-					1,000,000		8,000,700	
						1100.00		11/4,100	
Squals both						1301.00		1304,00	
Aprillation Territory						11498,767		5144.00	
Many service to	-	-				1,710,040		1,740,040 1,750,040	2007.00
Payable, NO	the service					8,86,149	1,000,000	m (0.07)	100.00
Anna are man	THE RESERVE AND ADDRESS OF THE PERSON NAMED IN	-American				40,000,075	100.07	m 40.00	8.670
Substitute .						100000	100,01	80.00	(18.166)
Out the Chief	and the same for					-			100000
Consumerate o	rospon								90,000,000
Paymen ham pit	net prement					16,000,000	DUURS		Charles .
Tourism					-	40.65,53	-05569	60,70,410 63,504,600	
Total general	market and Specifics.					PAZINET	10,000,007	73,757,75	
Name and Address					-	47,9580		T PROTEIN	A SHOW
the same of the	-				A	CHAR	A DOLLARS	-	

BASIC FINANCIAL

STATEMENTS

ecompanying notes are an integral part of the basic immedial statement

# CTTY OF NORFOLK, VIRGINIA Exhibit A-2 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2008

\$ 422,979,857

und balances-total governmental funds		5	234,364,237
Amounts reported for governmental activities in	the Statement of		
Net Assets are different because:			
Capital assets used in governmenta			
financial resources and therefor	e are not reported		
in the funds :			
	Cost of capital assets	2,028,006,435	
	Depreciation expense to date	(1,206,610,587)	
			821,395,648
Other long-term assets are not avail	table to pay for		
cument-period expenditures an	d therefore are		
deferred in the funds :			
	Adjustment for deferred revenue		30,168,085
Long-term liabilities, including band	is payable, are not		
due and payable in the current			
are not reported in the funds :			
	Bonds and notes payable	(573,138,165)	
	Unamortized Bond premium	(19,573,547)	
	Capital leases	(3,285,441)	
	Retirement contribution	(23,585,256)	
	Other post employment benefits	(5,439,766)	
	Compensated absences	(15,570,842)	
Work	ers' compensation and claims liability	(25,059,306)	
	Other	(1,803,692)	
	Accrued interest payable	(6,918,429)	
	-		(674,374,444)
			11.426.131

20

Exhibit A-4 CITY OF NORFOLK, VIRGINIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities For the Year Ended June 30, 2008

change in fund belances -total governmental funds		5	37,432,904
Amounts reported for governmental activities in the Statement of Ac	Syllen are		
different because			
Covernmental funds report capital outlays as expenditures wi	nie governmental		
activities report depreciation expense to allocate those of	operditures ever		
the life of the sense!			
Addit	aprilal acquisitions net of disposals	102,666,692	30,160,856
	Subtract depreciation	(72,505,836)	30,160,606
Revenues in the Statement of Activities that do not provide o	urrent financial		and the state
resources are not reported as revenues in the fund			(761,745)
Bond and note proceeds provide current financial resources	to povernmental funds, but		
issuing debt increases long-term liabilities in the States	mant of Nat Assets.		
Repayment of bond and note principal is an expenditu	re in the governmental funds, but		
the repayment reduces long-term liabilities in the State	omens of Net Asset.		
the sebalates seasons and any second	Add debt repayment	40,341,765	
Transfer extent	coligation bands to parking fund	3,423,520	
name gree	Premium on bond sale	5,785,280	
	Principal increase in noiss payable	(2,000,000)	
	Account interest payable	(741,492)	
	General obligation bond proceeds	(151,445,411)	(104,639,339)
Some expenses reported in the Statement of Activities do n	oc require the use		
of current financial resources and therefore are not re	ported as		
expenditures in governmental funds			
Casana in some	capital long-term liabilities (Note VIII)	(12,197,296)	
	Principal paydown on capital leases	5,011,098	
	Principal psydown on note payables	229,586	(6,969,612)
Internal service funds are used by management to charge	the costs of		
of contain services to individual funds. The mel revo-	rue (expense) of the internal		548.711
service funds is reported with governmental activity.			548,711
Change in net assets of governme	rsal activities		5 (44,218,221

CITY OF NORFOLK, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For Fiscal Year Ended June 30, 2005

Exhibit A-3

			Maj	or Funds				ion-major		Total
		General		Capital		Debt	Ge	vernmental	Ge	remmental
	_	Fund	_	Projects	_	lervice	_	Funds	_	Funds
REVENUES										
General property leves		238,739,614	5		5			2,550,300		241,289,914
Other local taves		153,068,673						9,504,620		162,573,293
Permits and licenses		4,055,323								4,055,323
Fines and to feitures		1,307,680						9,580		1,317,260
Use of money and property		7,308,529		973,784				2,379,763		10,562,076
Charges br services		19,937,632						20,221,028		40,158,660
Miscellaneous		4,792,166		7,130,254				6,000,862		17,923,282
Recovered costs		8.620,136						1,460		8,621,596
Intergovermental		122,496,492						34,363,270		156,861,752
Total revenues	_	560,228,245	_	8,104,038		-		75,030,863		643,363,166
EXPENDITURES							-			
Current operating										
General government		107,676,689				-		3,096,511		110,974,200
Judicial administration		46.015.225						1,316,062		47,331,267
Public safety		103,792,189						12,415,341		116,207,530
Publicands		42 909 508						17,460,844		60.370.352
Health and public assistance		60.221.236						28.938.292		95,159,526
Cultura and recreation		41,205,827						9.965.084		51,070,911
Contractly development		6.542.288						4,202,520		10,744,808
Education		101.094.910								101,094,910
Debt service:										
Privipal						40.259.954				40,258,954
Interest and other charges						18 661 266		1.806.442		20.457,706
Capital outliny				111.425.875				2,580,980		114,006,855
Total expenditures	_	515.659.872	-	111.425.875	_	58.921.220	_	81.581.076		767,688,043
Excess (deficiency) of revenues ever	-	313,030,012	_		-	2000.000	_			
superditures.		44.568.373		(103.321.837)		58.971.2201		(6.650,193)		(124.324.67)
OTHER FINANCING SOURCES (USES)	_		_	I stages one of		Delin Colonia		-		
Insulance of dela		11.320.660		134.342.471						145.663,131
Premium on bonds				5,795,290		- 2		- 2		5,785,200
Net approxiation				62.341				- 6		62.361
Transfers in		10 000 000		20.504.313		58.921.220		20.475.092		109 100 621
Transfers and		(96,197,266)						(13.456.330)		(99.653.59)
Total other financing sources and uses	-	(54.825.500)	_	100 004 405	_	58.921.229	_	7.018.762	-	161,717,79
Net changes in fund belinces	_	(20,308,233)	-	57.372.568	_		_	368,569	-	37,432,90
Fund belances-beginning		68.279.421		64,317,907		10		44 334 305		196 931 33
Fund belances -ending	-	67,971,188	-	121,690,476	-		-	64,702,574	-	234 364 23

CITY OF NORFOLK, VIRGINIA Statement of Fund Net Assets - Proprietary Funds June 30, 2008 Exhibit B-1

				Business-Typ	pe Ar	ctivities			Governmental Activities	
				Whole-		Parlong			119	ing Sevice
		Water		Water		Facilities		Totals		Funds
ASSETS			_							
Current assets:										
Cash and short form investments		27,469,306		2,838,730		14,545,890		44,852,932		4,394,996
Restricted cash held with fiscal agent		8.229.234		156,538		2,051,511		10,437,283		
Pecelvathes, net										
Accourts		7,875,823		3,095,876		1,023,534		11,995,233		418,100
Unbilled accounts		4.561.975		1,235,700		334.176		6,131,863		
Account investment income		120,798		-		1,579		122.377		
Other		230,000		2.754				232,754		
Internal balances										88,400
Inventories		1,716,215		40,466		431.061		2,193,762		2.259.838
Other assets						343,716		343.716		
Restricted carb and investments		43,466,734		26 041 294		5.167.566		75.677.594		
Total current assets	_	93.672.093	-	35.415.380	_	23.900.041	-	157 987 504	-	7.159.334
THE STATE STATE	_	4231-2300	-	30,412,300	-	80.000001	_	130,307,004	_	2,799,00
fonoument assets:										
Capital assets:										
Land and improvements		35,480,589		22,335,760		42,508,804		101,325,163		415,000
Buildings and equipment		534,564,175		180,510,287		135,850,322		852,954,784		10,645,730
Accumulated depreciation		(136,042,161)		(41,711,085)	_	(39:945.567)	_	(216,736,793)	_	(5.233.91)
Capital assets, red		436,032,623		163,134,952		138,373,589	_	737,541,574		5,826,825
Typel noncurrent assets	_	436,032,623	=	163,134,962		138,373,509		737,541,174		5,826,825
Total assets	_	529,704,706	=	198,550,342	=	162,273,530	=	890,526,678	=	12,986.16
LIMBUTHES										
Current labelities										
Voucherspectie		2,053,695		1,425,964		1.701.752		5.181.391		554.04
Cortinat retainage		651.101		497.370		221.776		1,360,149		
Account interest		265,200		772 900		2.019.550		3.057.650		
Association of the Control of the Co		265,440		107,073		70,869		443.382		70.90
Internal Delances		2.097.679		6.697.090		5.033.311		13.808.083		275.63
		1,496,116		479.302		400,866		2.376.374		508.10
Obligations for employees retirement system		11,807,731		6.150,117		3.482.958		21.440.806		
Current poston of bonds payable				6,150,117		3,462,956		2.779.105		
Liabilities payable from restricted assets		2,778,165 657,900		216,963		119,000		995,962		237.64
Compensated ibsences								2,537,615		207,64
Claims and judgments liability		2,537,615						1,474,299		
Other current labilities	-	550,571	_	341,059	-	582.659	-	1,474,290	-	1,490.50
Total ourset liabilities	_	25,161,213	_	16,679,001	_	13.633.622	-	55,472,800	-	1,490,50
Noncurrent lebities:		10,539,072		95,700,854		6.960.191		114.202.117		0.00
General obligations payable				7.359.833		83,604,700		402,933,430		
Revenue bonds payable		309,969,301		112.137		156.507		643.374		95.73
Compensated diserces				112,127		198,907				7.70
Other long-term liabilities	_	1,280,000	_	-	_	-	-	1,280,000	-	105.44
Total noncurrent liabilities		302,060,573	_	104.174,834	_	92,773,524	-	518,956,921	-	
Total liabilities	_	347,221,786	_	120,853,865	_	106,357,146	-	674,432,787	-	1,560,00
NET ASSETS										
invested in capital assets, net of related debt		115,739,667		80,476,182		44,587,610		241,200,359		5,619,12
Restricted - capital projects						2,506,000		2,506,000		
Universidad	_	66,743,353	_	(2,779,696)	_	8,422,874	_	72,386,532	_	5,607,00
Total not assets	- 1	182,482,920	-	77,696,487	- 1	55,916,484	-	316,095,891	- 1	11,426.13

## Exhibit B-2

## CITY OF NORFOLK, VIRGINIA Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For Year Ended June 30, 2008

		Business-Typ	e Activities		Government Artivities	
		Waste-	Parking		Internal Serv	Ace
	Water	Water	Facilities	Totals	Funds	_
Operating revenues:		5 24 917 036	\$ 20,425,125	5 119,562,149	\$ 16,006.0	565
Charges for services	\$ 74,239,988	177.390	\$ 20,000,120	3,088,370	115.6	
Miscellaneovs		25.009.426	20.425.125	122,670,519	16,151,7	
Total operating revenues	77,155,966	25,009,429	20,520,127	100,000,000	140,141,0	_
Operating expenses:			7.709.824	25.309.902	3.486.5	882
Personal services	13,120,146	4,479,932	7,790,824	23,300,000	10,084,8	
Cost of goods sold				9 901 504	251.0	
Plant operations	6,625,810	2,059,011	916,813	3.543.777		
Chemicals	3,446,908	96,869		1.267.871	15	872
Provision for bad debts	710,185	577,686		18.472.783	202	
Degreciation	11,096,511	3,702,273	3,873,999	2.252.240		160
Retrement and OPER contribution	1,496,116	479,392	276,732	3.765.310	200	,,,,,,,,
Agministrative expenses	1,809,615	1,566,756	379,946	16,855,643	1.267	
Other	12,350,421	3,290,566	1,214,656		15,727	
Total operating expenses	50,655,713	16,254,485	14,428,970	81,339,168		614
Operating income, net	26,500,255	8,834,941	5,996,155	41,331,351	1/4	014
Nonoperating revenues (expenses):				3,045,304		1.097
interest income, net of interest capitalized	1,574,096	558,712	913,536		150	(our
Interest expense and focal charges	(14,199,647)	(2,359,248)	(4,997,002)	(21,555,927)		
Less on sale or disposal of capital assets, net	(21,484)	(534)	(2.113.172)	(2,195,190)		0.097
Yotal nonoperating revenues (expenses)	(12.647,075)	(1,801,070)	(6,194,668)	(20,644,813)	151	1,097
Net income (loss) before contributions						
and transfers	13,853,160	7,003,871	(200,513)	20,686,538	563	3,711
Capital contribution	175,778	63,240	-	219,018		
Transfers out	(8,500,000)	(1.632.612)	(79,417)	(10,212,029)		5,000
Changes in net assets	5,528,958	5,644,499	(279,930)	10,693,527		0,711
Total net assets - beginning	176,953,962	72,251,988	56,196,414	305,402,364	10,67	
Total net assets - ending	5 182,482,920	\$ 77,696,487	\$ 55,918,484	3 316:095.891	\$ 11,421	0,131

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companying notes are an integral part of the basic financial statements.

# CITY OF NORFOLK, VIRGINIA Statement of Fiduciary Net Assets June 30, 2008

Exhibit C-1

		Pension Trust moloyees'		
		Improyees betirement		Agency
		System		Funds
ASSETS				
Cash and short term investments	5	47,950,535	3	9,257,848
Investments, fair value				
Fixed income		340,821,012		
Balanced commingled funds		95,672,865		
Common stocks		79,512,677		
Domestic equity funds		172,259,882		
International equity funds		160,883,020		-
Receivables:				
Accounts, net of allowance				
for uncollectible accounts				1,045
Retirement contribution		25,667,556		
Acqued investment income		2,496,290		
Due from broker for securities sold		28,144,336		2.5
Other	_		_	523,305
Total assets	_	953,408,173	_	9,782,198
LIABILITIES		0070000		
Vouchers payable		1,024,195		26,215
Due to brokers for securities purchased		72,186,529		9.755.983
Other Sabilities	1		-	
Total liabilities		73,210,724	-	9,782,198
NET ASSETS				
Reserved for:				
Assets held in trust for				
pension benefits	-	880,197,449	- 5	
Total net assets	3	880,197,449	- 3	

CITY OF NORFOLK, VIRGINIA Statement of Cash Flows - Proprietary Funds Year Ended June 30, 2008 Exhibit B-3

					Governmental
		Business 7	ype Activities		Address
		Wester	Parting		Internal
	West	YROW	Facilities	Tene	Senter Funds
CASH IS DWG FROM OPERATING ACTIVITIES:					
Seeph ten permen	\$ 75,414,800	\$ 25,346,379	\$ 252/3.699	1 118,047.70	5 15,876,152
Paymonts to suppliers	(93,317,366)	(3,792,364)	(1.096.361)	OTATION	(14.112.243)
Payments to employees	(14.812.068)	(8,805,100)	(7,817,217))	(27,309,401)	(3.879.043)
Other receipts (payments)	(0,214,464)	(4,889,340)	(1,004,358)	(18,196,163)	(1,161,342)
Not cash and short form investments provided by operating activities	37,286,969	1,621,660	108,078,007	\$2,182,198	\$10,505
GASH FLOWS FROM NONGAPTINA					
FRANCISCA ACTIVITIES					
Name and the	211 Tell-Delli	OWNER	1419.000	(0.812.964)	15,795
Operating submides and increases to other banks	pt,500,000	(UARAN)	(79,417)	(MATERIAL)	(35,949)
Not east provided by (seed in) rencepted financing activities.	(25,245,540)	0.140,010	5,3e0,277	(25,544,553)	(19,20%)
DANK IT, DANK FROM COPYTAL AND					
MILATED FINANCING ACTIVITIES					
Property from copied data	98.706.015	43,515,845	3,867,642	106.586.552	
Proceeds from copycin cent.  Capital contributions	179,778	43,340	1300,000	219,010	
Capter contributions Purchases of capital assets	(15,750,530)	(01,342,014)	(15,400,000)	/10.000.000	095,210
		911,342,914)	Contractional Contraction		(per,see
Parallesses of other seconds halfelfor sade	(17,480)			(689,519)	
Principal paid on another date	(91,577,740)	(5.804,834)	(3,554,453)	(20.164,610)	(2.5+6)
Interest past on Laptur tests	(13,848,963)	(2,460,521)	(5.529.941)	(24,800,986)	-
Not seen provided by based injustral and					
related framing extirion	10,200,434	14,625,219	(18,894,808)	14,403,815	GH1720
CASH FLONG FROM INVESTING ACTIVITIES:					
Describ for one and concrise of investments	29,519,700	17,405,798	5.401,877	51,649,769	
Purchase of investments	(83,279,726)	(93.941.836)	(5,605,160)	(210,2196,704)	
interest and distribute	1,341,345	514,712	819,626	3,010,000	150,007
Not cash provided by [condict] investing articles	(01,817,340)	Ø5,847,30%	1,296,640	(57,488,269)	150,097
	2347.000	8.111.86	(1,094,985)	(6.842,28%	540.785
Not increase (docresse) in Each and about term investments	2,347,668	(6,311,864)	(1,000,000)	(0.942,501)	540,780
Cash and shart form investments: - beginning of the year	33,350,574	4336,910	18,554,860	41,750,406	3,854,311
Sech and short term investments - and of the year	\$ 36,649,040	8 2,940,368	\$ 16,566,407	\$ 95,395,210	1 4394399
Reconstitution of Operating Income (Lose) to Not Cook					
Provided by Operating Authorise:		5 EM450	5 S.ME.105	5 e.m.m	1 (21.01
Operating income	\$ 26,500,250	5 8,004,041	\$ 5,000,100	E 41,000,000	£ 434,010
Adjustments to reconcile operating income: to not cost and					
phos form investments provided by operating activities:					
Depression expense	11,096,911	3,740,273	3,673,966	10,072,763	302,500
Provision for land debt	P18,145	577,646		1,387,871	15,675
Larm on disposal of accords					169,99
Pacalvatios, net	(896,100)	(1,094,275)	(211,990)	(0.945,940)	G79,94
Resolvables, net Other resolvables	115,000	149,300		264,202	
Recolvation, net Other resolvation Inventories			04.010	364,333 GTR,300	
Resolvables, net Other resolvables	\$15,000 (216,000)	149,322 496	(84,814)	394,202 (279,300) (39,415)	230
Pacalvatins, net Other resemblishes Inventories Other search	115,000	149,300	04.010	364,333 GTR,300	230
Receivables, Aut Other receivables Inventories	\$15,000 (216,000)	149,322 496	(84,814)	394,202 (279,300) (39,415)	230
Pacification, Anti- Come resolvation International Other assets Vacalities, papellie Accused parent	115,000 (215,000) (4,000,000) (47,610)	446,300 406 (1,546,800) (87,670)	(04,814) (04,815) (01,811)	294-202 GT9-2026 (00,4126) (00,413.0) (000,943.0)	2.30 162,31 24,42
Recolation, not Other strategies International Other assist Vocations pupilitie Account pupilitie Account pupilities	COLUMN CO	145,000 400 (1,546,600)	(M, 814) (M, 415) (M, 254)	264,222 (279,20%) (50,41%) (5,41%,24%)	2.30 102.31 31.10 (96.13
Residenties, net Other securities Sommarine Other sector Volumbo pupilite Accorde approlit Come seators Come seators Red could not drown innocements provided by speeding activities Red could not drown innocements provided by speeding activities	(116,000 (216,000) (1,000,000) (1,000,000) (1,000,000)	(1,546,600) (87,646,600) (87,670) 96,614	(M.814) (M.476) (M.476) (M.874) (M.874)	29+,202 (279,300) (30,400) (3,400,300) (488,940) 3,078,444	2.30 102.31 31.10 (96.13
Reportures, and  Other controlled  Softwareness  Softwareness  Vocabus pupilita  Amende anyoni  Other states  Records of Code and Amende anyoni  Records of Code and Amende anyoni  Records of Code and Amende anyonian  Records of Code anyonian  Records of Code and Amende anyonian  Records of Code and  Re	(116,000 (216,000) (1,000,000) (1,000,000) (1,000,000)	(1,546,600) (87,646,600) (87,670) 96,614	(M.814) (M.476) (M.476) (M.874) (M.874)	29+,202 (279,300) (30,400) (3,400,300) (488,940) 3,078,444	2.30 102.31 31.10 (96.13
Placehaller, and Other servicines treatment Other seasons Vocation propriet Amenda parell Other include Amenda parell Other include on the Proprietor investments provided by speeding address thousand dataset of Code and during the investments to the addressed of the costonic	016,000 016,000 (1,986,000) 0,07,240 3,273,001 3 37,000,000	(1,546,880) (1,546,880) (1,546,880) (1,575) (1,576,880)	(94,814) (94,914) (94,844) (94,845) (94,845) (94,845) (94,845)	294,222 GT9,200, GB,400, GB,500, 988,540, 3,000,648 \$ 127,407,008	230 102,31 24,02 26,02 3 602,52
Restablish, Art Other stretchists Stretchists Stretchists Stretchists Stretchists Amendesparts Other states The count of the stretchists period by speeding stillets Restablish of event two investments period by speeding stillets Restablished of the state of duty their benefities of Restablished of Count of the state of duty their benefities on Count and duty the size of duty their benefities of Count and duty the size of the state of the state of the state of the size of the state of the size	111,000 (214,005) (1,044,005) (1,044,005) (1,044,006)	115,000 (1,546,000) (1,546,000) (1,546,000) (1,546,000) (1,546,000)	(04,814) (04,914) (04,814) (04,814) (94,814) (14,144,834)	29-322 GT 3200 (SL 600) (SL 600) (SL 500) (SL 50	230 1823 31.0 06.12 1 603,62
Residently, Add Other removable Securities Securities Variables pupilite Annual spurite Annual spurite Code Intellige Code Code Code Code Code Code Code Cod	115,000 (715,000) (7,000,000) (9,775,000) (9,775,000) (1,740,000)	(1,544,860) (1,544,860) (1,544,860) (1,544,860) (1,544,756)	(04,314) (01,415) (014,314) (04,811) (04,311) (04,311) (04,314) (04,314) (04,314)	29-322 GTS-300 (01-00) (01-00) (01-20)	2.30 182,17 26,19 36,19 3 682,62
Pleasantille, and Other controlled streening themselves (Controlled Controlled Contr	111,000 (214,005) (1,044,005) (1,044,005) (1,044,006)	115,000 (1,546,000) (1,546,000) (1,546,000) (1,546,000) (1,546,000)	(04,814) (04,914) (04,814) (04,814) (94,814) (14,144,834)	29-322 GT 3200 (SL 600) (SL 600) (SL 500) (SL 50	2.30 182,17 26,19 36,19 3 682,62
Passantian, and Other memories transmisses Variables passible Ancest separal Contractions of the Contraction of the Contraction of the Laboratory of the Contraction of the Contraction on the Annexation of the Contraction of the Contraction to the advanced of the Contraction of the Contraction to the Annexation of the Contraction of the Contraction Contraction br>Contraction Contracti	115,000 (715,000) (7,000,000) (9,775,000) (9,775,000) (1,740,000)	(1,544,860) (1,544,860) (1,544,860) (1,544,860) (1,544,756)	(04,314) (01,415) (014,314) (04,811) (04,311) (04,311) (04,314) (04,314) (04,314)	29-322 GTS-300 (01-00) (01-00) (01-20)	230 102,31 24,02 26,02 3 602,52
Passantes Ad  Otro manufación  Seminar  Verialmo puede  Accusto pu	115,000 (216,000) (2,000,000) (2,000,000) (3,000,000) (4,000,000) (4,000,000) (4,000,000)	1 2,945,000 1 2,94	(04,014) (04,015) (01,015) (01,015) (01,015) (01,014,017) (01,014,017) (01,014,017) (01,014,017)	294-202 GTR-2003 (DB-2003) (DB-2003) (DB-2003) (DB-2003) 1 527-627-68 1 527-627-68 1 54.202-203 1 54.202-203	2 30 183,31 26,52 3 603,62 1 4,344,00 4,344,00
Facilities, Ad  Over removable	115,000 (715,000) (7,000,000) (9,775,000) (9,775,000) (1,740,000)	(1,544,860) (1,544,860) (1,544,860) (1,544,860) (1,544,756)	(04,014) (04,015) (01,015) (01,015) (01,015) (01,014,017) (01,014,017) (01,014,017) (01,014,017)	29-322 GTS-300 (01-00) (01-00) (01-20)	2 30 183,31 26,52 3 603,62 1 4,344,00 4,344,00
Figuration, and Other securities Other s	115,000 (216,000) (2,000,000) (2,000,000) (3,000,000) (4,000,000) (4,000,000) (4,000,000)	1 2,945,000 1 2,94	(04,014) (04,015) (01,015) (01,015) (01,015) (01,014,017) (01,014,017) (01,014,017) (01,014,017)	294-202 GTR-2003 (DB-2003) (DB-2003) (DB-2003) (DB-2003) 1 527-627-68 1 527-627-68 1 54.202-203 1 54.202-203	2 30 183,31 26,52 3 603,62 1 4,344,00 4,344,00
Paparation, and Commentaries of Commentaries o	913,000 (913,000) (913,000) (912,000) (912,000) (112,000,000)	1 2,504,750 1 2,504,750 1 2,504,750 1 2,504,750 1 2,504,750 1 2,504,750	(04,214) (04,274) (14	294,202 grts,200 (08,410) (1855,644 § 527,627,000 14,427,201 14,427,201 § 50,000,210 § 50,000,210	2.30 103.21 26.51 3 002.61 1 4.314.01
Findings of Contractions of Co	115,000 (216,000) (2,000,000) (2,000,000) (3,000,000) (4,000,000) (4,000,000) (4,000,000)	1 2,945,000 1 2,94	(04,014) (04,015) (01,015) (01,015) (01,015) (01,014,017) (01,014,017) (01,014,017) (01,014,017)	294-202 GTR-2003 (DB-	2 30 183,31 26,52 3 603,62 1 4,344,00 4,344,00
One monitors assumed to the control of the control	913,000 (913,000) (913,000) (912,000) (912,000) (112,000,000)	1 2,504,750 1 2,504,750 1 2,504,750 1 2,504,750 1 2,504,750 1 2,504,750	(04,214) (04,274) (14	36-320 GF3-200 (00-400) (00-40	2 30 183,31 26,52 3 603,62 1 4,344,00 4,344,00
Findings of Contractions of Co	913,000 (913,000) (913,000) (912,000) (912,000) (112,000,000)	1 2,504,750 1 2,504,750 1 2,504,750 1 2,504,750 1 2,504,750 1 2,504,750	(04,214) (04,274) (14	294,202 grts,200 (08,410) (1855,644 § 527,627,000 14,427,201 14,427,201 § 50,000,210 § 50,000,210	2.30 103.21 26.51 3 002.61 1 4.314.01

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# CITY OF NORFOLK, VIRGINIA Statement of Changes in Fiduciary Net Assets Pension Trust Fund - Employees' Retirement System For the Year Ended June 30, 2008

Investment income (loss)

Net approximent (approximent) in fair value

Present of the comment of

Exhibit C-2

# CITY OF NORFOLK, VIRGINIA Statement of Net Assets - Component Units June 30, 2008

Exhibit D-1

		Norfolk Public Schools		Norfolk ommunity vices Board	Total		
ASSETS			-		5	16.227.468	
Cash and short term investments	\$	10,710,798	5	5,516,670		4.229.827	
Cash held in escrow with fiscal agent		-		4,229,827		4,229,041	
Receivables:							
Appounts, net of allowance for						1.697.413	
uncollectible accounts		942,278		755,135		28.848	
Interest				28,848		489.544	
Other				489,544		18.740.077	
Due from primary government		18,716,372		23,705			
Due from other governments		28,597,518				28,597,518	
Inventories		971,548				971,548	
Prepaid expenses				76,917		76,917	
Capital assets, net	-	71,813,300	_	1,156,017	_	72,969,317	
Total assets		131,751,814	_	12,276,663	_	144,028,477	
LIABILITIES							
Vouchers payable		11,166,808		680,185		11,846,993	
Contract retainage		85,243				86,243	
Accrued payroll		25,532,795		436,693		25,969,489	
Unearned revenue		274,322				274,322	
Due to other agencies		2,342,465				2,342,465	
Other deposits/liabilities				45,718		45,718	
Other post employment benefits		2,255,000				2,255,000	
Current vested compensated absences		585,754		882,311		1,458,065	
Other current liabilities		199,723		960,617		1,160,340	
Long-term vested compensated absences		9,007,465		259,230		9,266,695	
Claims and judgments liability long-term		1,471,801			_	1,471,801	
Total liabilities		52,922,377		3,264,754		56,187,131	
NET ASSETS							
Invested in capital assets, net of related debt		71,813,300		1,156,017		72,969,317	
Restricted for							
Capital projects		960,653				960,653	
Other programs		90,651		66,481		157,132	
Unvestricted		5,964,833		7,789,411		13,754,244	
Total net assets	- 1	\$ 78,829,437	\$	9,011,909	5	87,841,346	

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NOTES TO THE BASIC FINANCIAL STATEMENTS



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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

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CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

# I. Summary of Significant Accounting Policies

# A. Financial Reporting Entity Information

Premarkais Reporting Entity mioristation.

The City of Norfolk (the "City") was incorporated February 13, 1845, and operates under a charter adopted February 7, 1916, which mandates a Council-Manager form of government. The City and its component units provide the following municipal services to approximately 242,000 residents, as euthoraced by its charter or coder public safety, highway and street maintenance, water production and qualify, solid waste management, wastewater treatment, cultural and parting facilities, environmental storm water management, public health, social programs, parks and recreetion, public education, public improvements, planning and zoning code enforcement, public libraries and general administration.

Blended Component Unit: The Employees' Reterment System of the City of Norfolk (ERS) has a nine-member Board of Trustees. Seven members are appointed by the City Council. The City Manager and Demonstrates are appointed by the City Council. The City Manager and Demonstrates are appointed by the City Council. The City Manager and Demonstrates are appointed by the City Council. The City Manager and Demonstrates are appointed by the City Council and Section 1997 of the City of Norfolks. Officers covered by the Virginia Supplemental Referenced Systems, as authorized by Section 143(a) of the City Charter. The ERS was established and placed under the management of the Board of Trustees for the purpose of providing retriement and death benefits as authorized by the provisions of Chapter 37 of the Norfolk City Code. The City makes its contributions, in conjunction with investment earnings of the ERS, to provide the funding for pension benefits and administrative costs.

Discretely Presented Component Units: Although legally separate entities are in substance part of the Girly's operations, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The component units discousted below are included in the City's financial reporting entity due to their financial relationships with the City.

The School Board for the City of Norfolk (School Board) which has seven members is the operating body that establishes the educational and financial programs and policies for the City's public school system. School Board members are appointed by the City Council. The City levies taxes for its operation, issues bonds or exters into capital leases for its capital requirements and approves its ennuel operating budget. The School Board for the City of Mortific is comprised of the School Operating fund, Capital Projects fund, Child Nutrition fund, Grants Fund and agency funds.

The Norfolk Community Services Board (CSB) was created in 1969 by a resolution of the City Council. It's purpose is to provide mental health, mental retardation, and substance abuse services to residents of the City of Norfolk. The CSB is composed of 15 members appointed by City Council. City Council approves the CSB's annual operating budget.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

Complete financial statements of the individual component units can be obtained from their respective administrative offices:

The City of Norfolk Retirement Board 810 Union Street, City Hall Building Room 309 Norfolk, Virginia 23510

The School Board for the City of Norfolk 800 East City Hall Avenue P.O. Box 1357 Norfolk, Virginia 23501-1357

The Norfolk Community Services Board Board Administration 248 West Bute Street Norfolk, Virginia 23510-1404

# B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental reviews, which normally are supported by taxes and integoreummental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is fancially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from poods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and them not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and sfucisary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt obligations of governmental funds and proprietary funds.

The Capital Projects Fund accounts for the acquisition and construction capital facilities of the City, some of which are also used by the School Board

The City reports the following major proprietary funds:

- The Water Fund accounts for the activities of the City's water system, treatment plant and distribution systems.
- The Wastewater Fund accounts for the activities of the City's sewage pumping stations and collection systems.
- The Parking Facilities Fund accounts for the activities of the City's owned parking facilities.

Additionally, the City reports the following other fund types:

- Internal Service Funds account for the City's storehouse operations and fleet management services provided to other departments or agencies of the City on a cost reimbursement basis.
- The Pension Trust Fund accounts for the activities of the Employee's Retirement System, which accumulates resources for pension benefit payments to qualified employees.
- The Permanent Fund is used to report resources that are legally restricted to the extent that only the interest may be used to support the City's cemetery operations.
- The Agency Funds are used to account for the assets held by a governmental unit as an agent for individuals, private organizations, other governmental units and or other funds. Agency funds do not involve the measurement of results of operations as they are custodial in nature (assets a liabilities).

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board ("GASB"). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-fleu of taxes and other charges between the City's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges for services, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated recourses are reported as general revenues rather than as program revenues. Therefore, all taxes are general revenue.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's Water, Wastewater and Parking Feolities enterprise funds, and of the City's internal service funds are charges to customers for sales and services and administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition, including interest income or expense are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# D. Budgets and Budgetary Accounting

An operating budget is adopted each fiscal year for the General fund, Water Utility fund, Wastevrater Utility fund, Parking Facilities fund, Storm Welter special revenue fund, Nantitous special revenue fund, Martiner Facility special revenue fund, pull-mentiles special revenue fund, pull-mentiles special revenue fund, energency Operations center/Ed11 special revenue fund, energency operations center/Ed11 special revenue fund and service fund and service fund for special revenue fund. Towns special revenue fund and service fund funds. Project length budgets are approprieted for the Capital Projects and Grants funds. All funds are under format budgets you format.

No-less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted. Then, on or before July 1.

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

# C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietarly ratio financial statements. Revenues are recorded when earmed and expenses are recorded when a stability is incurred, regardless of the timing of related cash flows. Property taxes are recorgized as revenues in the year for which they are leveled. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Foliuciary fund financial statements do not have a measurement focus. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting.

statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become extractions are recorded with the second process of the second process

Major sources of governmental funds susceptible to accrual include the following

- Real property taxes
   Parsonal property taxes
   Sales and use taxes
   Sales and use taxes
   Consumer utility taxes
   Environmental storm water billings

Expenditures, other than interest on general long-term obligations, are recorded as related fund liabilities when incurred. Interest on general long-term obligations is recognized when due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

the budget is legally enacted through adoption of an ordinance. The property taxes included in the budget become a lien on real properties on July 1.

The ordinance for the annual operating budget appropriates funds by department. Additional budgetary controls are exercised administratively, both on an appropriation unit basis over parts, all, or any combination of object categorises and repairs; (3) general operations and fixed charges; (4) equipment; (5) public and repairs; (3) general operations and fixed charges; (4) equipment; (5) public assistance; and (6) all purpose appropriations, as well as on a line item basis over inimidical objects foundpelary accounts). The City Manager is authorized to transfer funds between departments and funds without further approvals by City Council.

The School Board manages and controls all funds made available for public si purposes by the City Council. In accordance with the Code of Virginia, the St Board has exclusive authority to expend funds within the total amounts appropriyely Council.

Consistent with the enabling ordinance, the Schedules of Revenues and Expenditures – Budget and Actual of the General Fund presented in Exhibit E include the revenues and expenditures - budget and actual of the School Board.

A reconcilation of revenues and expenditures reported in accordance accounting principles generally accepted in the United States (GAAP) and it presented in accordance with non-GAAP budgetsy basis, for the general fund, be found following Exhibit E-2. The budgets for the enterprise funds and init service funds are prepared on a basis generally consistent with accounting principancially accepted in the United States of America.

With the exception of capital projects and grants fund appropriations, unencumt annual appropriations lapse at the end of the facal year. City Council may auth supplemental appropriations to the operating budgets during the fiscal Budgeted amounts as reported in the financial statements represent the or appropriations, and all supplemental adjustments or appropriations.

City Council adopts a capital improvement budget on a project basis. As in the case of the General fund budget, these budgets are submitted by the City Manager, public hearings are held and the budgets are legally enacted through adoption of an ordinance. Appropriations for these budgets continue until the purpose of the appropriation has been fulfilled. Amendments to these budgets are affected by City

# E. Deposits and Investments

The City's cash and short-term investments include cash on hand, demand deposits, and short term investments with original maturities of one year or less from the date

Investment statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of -Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), and Asian Development Bank, commercial paper rated Art by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankeria acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The fair value of the LGIP is the same as the value of the pool shares. The LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the SECs Red 22rd of the Investment Company Act of 1940. The external investment pool is definitioned by the Treasury Board of Virginia. The Persison Trust fund is subtrocted to invest in common stocks and other investments as directed by State state.

Investments of the City as well as its component units are stated at fair value. Short-term investments are econded at cost, which approximates fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Purchases and sales of securities traded but not yet settled at year-end are recorded as due bricker for securities purchased and due from broker for securities sold, respectively.

The City uses the pooled cash investment method, as a result individual fund overtrafts are reclassified as due to/due from other funds or internal balances for financial statement purposes. Income from the investment of pooled cash is altocated to the various funds based on the percentage of cash and temporary investments of each fund to the folds pooled cash and temporary investments.

For purposes of the statement of cash flows, all highly liquid debt instruments and certificates of deposit are grouped into cash and short-term investments. The cash and characteristics are considered cash, since it has the same otherwistics as a demand deposit account.

## E Destricted Asset

Restricted assets are those whose use is subject to externally imposed constraints such as creditors through debt covenants, grantors or laws or regulations of other governments.

## G. Notes Receivable

Notes receivable reported in the governmental funds represent assets that are cifset by deferred revenue in the fund financial statements since funds do not meet the availability criteria. Rayments on these balances will be recognized as revenue as they are received.

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

eliminated and any resulting gain or loss is reflected as non-operating revenue or expense.

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the tower of the carrying visite or the value. Impairment losses on capital assets that Will continue assets that will not explain asset that will continue asset that will not explain asset that will continue asset that will not explain asset that will continue asset that will be capital asset that will continue asset within the capital asset that will continue asset within the capital asset that capital asset that will continue asset to the capital asset that the capital asset that capital asset that the capital asset that result in the impairment of a capital asset are netted against the impairment loss.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets purchased by enterprise and internal service funds are stated at cost, less accumulated depreciation.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	Governmental Funds	Enterprise Funds	Internal Service Funds
	(In years)		
Building and improvements	40	10-75	40-50
Improvements other than buildings	15-25	10-99	15
Warehouse equipment and fixtures			7-10
Transmission and distribution mains	0.00	50-99	
Service meters and meter installation		35-50	
Pumping and other water/wastewater		10-30	
equipment Vehicles and garage equipment	4-10	4-10	4-25
Data processing equipment Furniture, futures and equipment	5-10 3-25	5-10 3-25	5-10 3-20

# K. Compensated Absences

It is the City and School Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is fully vested when earned by City employees. Sick leave does not vest for City employees toward upon reterement, City employees receive credit for each day of accumulated sick

## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

## H. Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying fund financial statements generally reflect such transactions as transfers.

Internal service funds record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the internal service funds as operating expenditures or expenses. Since internal service funds generally support governmental activities rather than business-type activities, they are consolidated with the governmental funds in the government-wide funancial statements. A discrete presentation of the City's internal service funds can be found in the "Other Supplementary information" action of this document.

The General fund provides administrative services to enterprise funds and internal service funds. Charges for these services are treated as operating expenses by the enterprise and internal service funds and as revenue by the General fund in the fund financial statements.

## I. Inventories

Inventories are stated at cost, using either the first-in, first-out, or the moving average method. Inventories in the governmental funds consist of expendable supplies held for consumption for which the cost is recorded as an expenditure when acquired, i.e. the "purchase method." Reported inventories in the governmental funds are offset by a fand balance reserve, including they are not currently available expendable resources. Proprietary funds expense inventories when consumed.

## J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported at historical cost less accumulated depreciation in the applicable governmental or business-type activities column in the government governmental cost properties of the control of the c

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

leave toward their pension benefit. There is no liability for unpaid accrued sick leave service since the City does not pay when the employee separates from service. The entire unpaid shability for vacation leave is recorded in the respective funds in the government-wide financial statements.

Upon retirement, School Board employees are paid \$20 for each day of accumulated sick leave at retirement. Accumulated vacation leave cannot exceed \$0 days for School Board employees. School Board employees are paid for unused vacation teave, at their inormal rate of pay, upon termination of employment. Most School Board food service employees have ten-month employment contracts and are not entitled to vacation.

# L. Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, gratiors, contributors, leava and regulations of other governments or imposed by law through state statutures.

Reservations of fund balances are used to indicate that portion that is not appropriable for expenditures or to identify a portion of a fund's equity as legally segregated for a specific future use. Designations of unreserved fund balances in governmental funds are established to indicate City management's tentative plans for use of financial resources in a future period.

# M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of confingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

# II. Deposits and Investments

# Custodial Credit Risk - Deposits

The City maintains a cash and investments pool for all funds except the Pension Trust and permanent funds. Each fund's portion of the pool is disclosed in the statement of net assets and balance sheet as cash and short term investments. The cash and investments of the Pension Trust and permanent funds are held separately from the pooled City funds.

In accordance with its investment policy, all deposits of the City and its component units are held in City Council designated official depositories and are collateratived in accordance with the Virginia Security for Public Deposits Act, 2018, 2019, 20

# Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The City's equity and fixed income investments (except for bank deposits) are not insured and are registered in the name of the City and held by State Street Bank as custodian. The remaining City investments are held by the City or in the City's name by the City's custodial banks. The City and its component units have no formal policy regarding custodial credit risk for investments.

## Interest Rate Risk

The City's Pension Trust fund uses a "Duration" policy to manage its interest rate risk. The duration policy is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cosh flows, weighted for those cash flows as a percentage of the investment's full price.

Other than for the assets of the City's Pension fund, neither the City nor discretely presented component units have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

# Community Services Board

				Investment	t Mi	aturities (in ye	ars		_		
	-	air Value	Less than 1 year			1-5 years	6-1	10 years	10 years +		
Investment Type Certificates of deposit Auction rate securities	\$	1,098,615 1,028,580	\$	758,949 1,028,580	\$	196,361	\$	48,571	\$	94,734	
Government-sponsored enterprise securities		2,043,445		59.187		1,868,898		49,852		124,696	
Total	\$	4,229,827	\$	1,846,716	\$	2,065,259	\$	98,423	\$	219,429	

# School Board

At June 30, 2008, the School Board has investments of \$3,936,115 in an AAA rat money market mutual fund and \$4,180,245 invested in an unrated repurcha agreement.

# Credit Risk Related to Issuer

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's Pension Trust Fund's formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies, Moody's, Fich Ratings, and Standard and Poor's (8 RP), an end permitted. The City's Pension Trust Fund invests in certain derivatives including real mortgage investment conduits and collateralized the control of t

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

## Segmented Time Distribution (as of June 30, 2008)

# Primary Government

				Devestment 2	ventment Materities (in years)						
Investment Type		Fair Value	Fair Value Len than I year			1-5 years		6-10 years		10 years +	
Corporate Debt	1	177,472,608	1	21,774,143	1	30,085,515	1	1,49(2))	3	117,118,63	
Pleasure		289,884		289,884		1.0		1.0			
Morgages		163,058,529		2,557,504		7,447,575		3,388,336		149,665,10	
Certificates of Deposit		18,334,000									
U.S. Agency		4,323,845				4,323,845					
Domesic Equity Funds		172,359,882		NA.		Nin		200%		Ni	
Balanced Income Funds		95,672,865		N/A		N/A		NIA		345	
Common Stock		79,512,677		N/A		NA		NOA.		No.	
International Equity Funds		160,983,020		NA		NA		2014		N5	
Money Market Investments included											
in Cash and short-term investments		275,115,240		NO.		NA		3004		745	
Total	5	1,146,922,541	5	24.621.531	1	41,856,935	1	11.882.627	1	266,783,76	

A reconciliation of the carrying value of deposit and investments as reported above to amounts reported in the Statement of Net Assets (Primary Government) and Statement of Fiduciary Net Assets for the City is as follows:

Per Exhibit 1 (Primary Government):		
Cash and short term investments	3	138,700,148
Restricted cash held with fiscal agents		10,437,283
Investments		131,209,629
Restricted cash and investments		76,770,113
Total	\$	357,117,173
Per Exhibit C-1 (Fiduciary):		
Cash and short term investments		57,208,383
Investments		849,149,456
Total	\$	906,357,839
Total Primary Government and Fiduciary	\$	1,263,475,012
Less: Actual cash		116,552,471
Deposits and investments reported above	\$	1,146,922,541

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

	T	he Primary 0	lovernment's Rat	ted Debt Invests	ment	
Fair Quality Ratings (S&P)	Corporate Debt	Corporate Debt Roaters		Certificates of Deposit	U. S. Agency	Money Market Mutual Funds
AAA	\$ 45,319,185	\$ -	\$ 163,058,520	\$ -	\$ 4,323,845	\$ 28,026,596
AAAm						40.147,229
AA+	15,438,139	74				4,997,075
AA	15,915,065		154	1.0		384,390
AA-	32,009,684					4,036,099
A	24,319,718					
A+	13,709,526					
A-	5,911,086	289,884				
A-1+		-				156,639,071
A-1						
BA	1,693,436	-				
888	4,345,962					
888+	8,592,619					
888-	5,147,176			E. 19		
88	100,500		-		19	
В	1,696,230					
Not Rated	3,180,481	-	19	18,334,000	-	40,884,780
Total	\$ 177,472,608	\$ 289.884	\$ 163,058,520	\$ 18.334,000	\$ 4,323,845	\$ 275,115,240

The City held \$267,932,747 and \$160,883,020 in domestic and international equity funds, respectively, and an additional \$79,512,677 in common stock which are unrated securities.

The CSB's investments in government-sponsored enterprise securities were rated AAA by S&P. Its mutual funds, auction rate securities and other investments were

# Concentration of Credit Risk

Concentration risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Mutual funds are excluded from this disclosure requirement. For the City's Pension Trust funds, no more than 20% of each account's fixed income portfolio, including cash equivalents, shall be invested in bonds rated Bae (12.8 3) or 188 lb er or .). Upon written request from an investment manager, the Retirement Board of Trustees will consider allowing more than 20% in these ratings and the purchase of bonds rated below Bad or BBB. More than 5% of the Retirement System's investments are in the FNMA investment poots, SSGA, SSP 500 Flagship Fund and Wellington Opportunition Fund. These investments represent 14.5%, 19.2% and 5.7%, respectively, of the Retirement System's lotal investments.

The CSB has more than 5 percent of their investments in Cohen & Strees Advantage (5.79%), Easton Vance Senior Income (5.79%), ING Prime Rate Trust (5.79%),

Pioneer High Income Trust (5.79%), FLHB Call Bond 10/16/09 (7.13%), FHLB Call Bond 4/28/10 (7.67%) and FHLMC Call Bond (12.35%). These investments represent 50.3% of the CSB's total investments.

Other than for the assets of the City's Pension fund, neither the City nor its component units have a formal investment policy regarding the amount it may invest in any one issuer.

# Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City's Pension Trust Fund's exposure to foreign currency risk is presented as follows:

Currency	58	ort-Term	Fix	ed-Income		Equity		Total
Austrialian Dollar	Š	1.224	\$	(17,204)	\$		\$	(15,980)
Brazilian Real				(79,750)		-		(79,750)
Canadian Dollar		2,281						2,281
Euro		92.296						92,296
Pound Sterling		2.951.530		75,787		26,865,677		29,892,994
Japanese Yen		28,503					_	28,503
anhanna	S	3.075.834	\$	(21,167)	8	26,865,677	5	29,920,344

Neither the City nor its component units have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The City's component units did not have any exposure to foreign currency risk at year end.

# III. Property Taxes

Local real property assessments are made under the direction of a City Assessor appointed by the City Council. The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. The trates in effect for the year ended Julies 30, 2008, on each 5100 of assessed value, were \$1.11 for real property, an additional \$1.8 for the Downtown Service District. \$4.26 for personal property, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.11 for mobile homes, \$2.40 for airplanes, \$5.0 for pressure bosts and \$1.50 for fusiones bosts and \$1.50 for fusiones bosts. Disabled veherans pay a discount rate of \$3.00 for personal property.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

General Fund: Taxes Accounts	\$ 15,150,888 9,892,304
Accounts	25,043,192
Storm Water special revenue fund	334,400 2,846,661
Water Utility fund	1.028.892
Wastewater Utility fund Total - Primary Government	\$ 29,253,145
Component Units:	340.958
Norfolk Public Schools	35,598
Community Services Board	\$ 376,556

# V. Notes Receivable

Notes receivable, at June 30, 2008 are as follows:

Primary Government: General Fund

WHRO (Hampton Roads Educational Telecommunications Association, Inc.) \$47,275

# VI. Due From Other Governments

Amounts due from other governments, at June 30, 2008 are as follows:

	General			Total . Primary Soverement	Component Unit School Board		
Commonwealth of Virginia: Shared expenses Categorical aid Noncategorical aid		000,317 138,131 021,099	1	5,000,317 138,131 17,021,089 5,513,388		18,021,608	
Special revenue grants  Yougi - Commonwealth	20	159,547		27,672,905		19,021,808	
Federal Government: Special revenue grants				3,554,394	_	9,575,710	
Total - Federal Total - Due from other governments	3 2	2,159,547	1	3,554,394	1	9,575,710 24,597,518	

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

# The property tax calendar is as follows:

*	Real Property	Other than Real Property
Lien date	July 1	January 1
Levy date for existing property	July 1	January 1
Levy date for real property improvement, new construction or newly acquired property	October 1, January 1 and April 1	Date of acquisition
Due dates	September 30, December 5, March 31 and June 5	June 5 or 30 days afte acquisition
Collection dates	On or bef	ore due date

In the event any installment of taxes on any of the above properties is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

# IV. Accounts Receivable

## A. Unbilled Accounts Receivable

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2008:

Water utility fund	\$ 4,561,975	
Wastewater utility fund	1,235,700	
Parking facilities fund	334,178	
	\$ 6,131,853	

The associated revenue is included in charges for services.

# B. Allowances for Uncollectible Accounts Receivable

Allowances for uncollectible accounts receivable are generally established using historical collection data, consideration of economic conditions, specific account analysis and subsequent cash receipts. The allowances at June 30, 2008 are as follows:

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

# VII. Changes in Capital Assets

A summary of changes in capital assets, at June 30, 2008 follows:

				Primary Gr				
		Beginning Balance		Additions		etrements		Ending Balance
Governmental activities:								
Non-depreciable capital assets:								
Land	3	37,896,651	3	6,267,500	5	(3,612,687)	8	40,351,264
Construction in progress		99,768,040		47,713,239		(32,719,382)		114,761,897
Total non-depreciable assets	-	137,664,691		53,960,739		(56,532,269)		155,113,161
Depreciable assets:			_		_		_	
Buildings		528,671,409		48.614.867		(75.537)		577,210,739
inprovements other than buildings		26,598,727		2,391,612		(347,844)		28.642,495
Equipment		112.607.366		18,377,928		(7.199.458)		123,785,814
Infrastructure		1.146.378.163		17,482,229		(9.545.427)		1.154.314.905
	_	1.814.255.543	_	86,866,636	_	(17,168,266)	-	1.883.954.013
Total depreciable assets	_	1,814,255,643	_	65,555,515	_	[17,199,299]	_	1,000,004,010
Less accumulated depreciation:				*** *** ***		76,150		(233,352,562)
Buildings		(221,156,245)		(12,272,467)		256,539		(12,223,717)
Improvements other than buildings		(11,810,949)		(961,307)				
Equipment		(68,166,021)		(7,559,682)		6,639,764		(69,085,939)
Infrastructure		(853,341,963)	_	(52,314,886)	_	8,474,590	_	(897,182,279)
Total annumulated depreciation		(1.154.483.198)		(72,808,342)		15,447,043		(1,211,844,497)
Depreciable assets, net		659,772,445	_	14.058.294	_	(1,721,223)		672,109,516
Total governmental activities	-		-			-	_	
capital assets, net	5	797,437,136	5	68,039,033	1	(38,253,492)	3	827,222,677
Business-Type activities:	-		_		_		_	
Non-depreciable capital assets:								
Land		43.099.824		5.187,205	3			48.267.029
				9.410.523		(49,225)		53 038 154
Construction in progress	-	43,676,857	_			(49.226)	-	101,325,183
Total non-depreciable assets	_	86,776,681	_	14,597,728	_	(49,229)	_	101,325,183
Depreciable assets:								7,101,351
Land improvements		7,101,351						
Buildings		319,760,428		3,303,619		(5,487,320)		317,576,727
Equipment		496,455,478		32,277,971	_	(456,743)	_	529,274,706
Totals depreciable assets Less accumulated depreciation:		823,317,257		35,581,590		(5,944,063)		852,954,784
Land improvements		(2.762.477)		(134,941)				(2,897,418)
Buildings		(69.744.896)		(6.824.581)		3,580,393		(73,189,084)
Equipment		(129,385,005)		(11,713,261)		445.975		(140,652,291)
Total accumulated depreciation	_	(201,892,378)	_	(18.672,783)	_	3,826,368	_	(216,738,793)
Depreciable assets, net	_	621,424,879	_	16,908,807	_	(2,117,695)	-	636,215,991
Dusiness-Type activities	_	941,444,019	_	100,000,000	-		_	
capital assets, net	1	708,201,560	1	31,506,535	1	(2,166,921)	1	737,541,174
Component units activities:								
Non-depreciable capital assets:								
Land	3	487,500	5				•	487,500
Construction in progress		31,521,421		10,196,067	-	(41,717,488)	-	
Total non-depreciable assets	_	32,006,921	=	10,196,067	_	(41,717,488)	-	487,500
Depreciable assets:								
Buildings		5.194.094						5,194,094
		144,603		610.963		100		755.566
improvements other than buildings		41 977 006		41,005,778		(983,440)		82,029,374
Building Improvements						(1,140,012)		33.087.909
Equipment	_	30,950,718	-	3,277,203	_			121.066.943
Total depreciable assets	_	78,266,451	-	44,923,944	-	(2,123,452)	_	121,086,943
Less accumulated depreciation:								12 044 244
Buildings		(1,804,580)		(259,705)				(2,064,285
Building improvements		(21,037,599)		(4,137,408)		863,389		(24,311,618
Equipment and other		(20,641,271)		(2.414,866)		866,914		(22,209,223
Total accumulated depreciation	_	(43,503,450)		(6,811,979)		1,730,503	-	(48,585,126
	-	34,763,001	-	38,111,965	-	(293,149	-	72,481,817
Depreciable assets net								
Depreciable assets, net Component units adivities	-	66,771,922	-	48,508,032		(42,110,637	-	72,969,317

Depreciation expense was charged to governmental and business-type activities as follows:

Seneral government	5	5,254,789
Judicial administration		1,150,921
Public safety		2,896,523
Public works, which includes the		
depreciation of infrastructure assets		54,879,277
Health and sanistion		289,106
		5,692,967
Culture and recreation		2.340.253
Community development		200,000
In addition, depreciation on capital assets		
held by the City's internal service funds		
is charged to the various functions		
based on their usage of the assets.	100	302,506
Total depreciation expense	\$	72,808.342
Business-type activities:		
Water utility fund	3	11,096,511
Wastewater utility fund		3,702,273
Parking fund		3,673,999
Total depreciation expense	\$	18,672,783
Component unit activities		
Community Serives Board	5	183,900
Schools		6,627,991
Total decreciation expense	5	6,811,979

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2008:

		Interest	Interest Revenue	c	Net apitalized_
Water utility fund	\$	1,011,255	\$ (446,919)	\$	564,336 684,368
Wastewater utility fund	_	1,695,623	(446,919)	4	
	3	1,695,623	(440,010)	-	1,2,00,101

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

General obligation and revenue bonds outstanding at June 30, 2008 are composed of the following individual issues:

lowing i	ndividual iss	una.	Covernmental Authorities		contribit Type Activities	Patric	
Germill Strepator			Public Improvement	Water Street	Visitewater Living Advisories	Pacifies About P	names (hasterday
ends Dated	Total Amount	www.hee	1,500,000	1			1,800,000
TUINE	1,100,000	4.76%	1,800,000		The second second		4,820,000
050997	4:000:000	535-5795	3,621,128		906,877		29,265,000
15/5585	44 330 390	435-530%	18 908 199	4,361,491	1,854,576	2,111,230	1.426.000
15/1995	49,190,000	4-25 - 5.00%		434.04			1170,000
15199	2.565,000	4/20 - 9.10%	1,176,000		1.4		2400,000
711/1905	11,790,000	455-5009	6,176,000				2.153.867
01/1904	4,000,000	4.55-5.30%	2,400,000				2.700,000
	7.000.000	ASSE	2,153,642				1.500,000
197900 179000	16/025/000	200-1209	2,700,000				1,678,694
	3,966,000	8 125 - 8 85%	2.505,000		172		490,777
1/53/5000 1/53/5000	3,637,170	none	1,679,694		0.000		10,600,000
	5,060,600	0000	490,777		844.540		10,800,000
2/21/2004	27 000,000	256-500%	8.998.790				5,910,000
371,0002	T 865,000	3.00-5.50%	6.555,000	The Contraction of	4 853.355	274.875	34,980,000
2/1/2002	47,700,000	2-00 - 5.00%	16,600,472	2,964,000			3,400,000
2/1/2000	2.600,000	5,38%	1.430.000				19,030,000
B1140002	34,600,000	240 5.25%	VB.030.000		1,004,00	906.007	19,440,000
#1/1/C002E		8.00 - 5.75%	15,851,263	874,998	8.125.10		8.125.599
11/1000	36,990,000	3.50%			879.54		45,680,000
4/8/2003	9,625,794	246-130%	44 805 154	Sc			6,000,000
11/15/0008	\$7,110,000	20012007	3,527,600	District Commence of the	502.50		53,270,000
13/15/2005	12,265,000	300-400%	A2 893 101		6,464.25	8. 1,000,000	13,000,000
3/1/2004	95,395,000	1.00 - 5.90%	13,000.00			f()	1,482,994
3/3/2004	13,500,000	8.12 - E DIN	1,402,80				10.462.19
P0990004	1,715-000	3.38%	2,440,500		10,462,1		50,505,000
9/17/0004	11,100,000	3.0%	eit 795.00		1,790.0		34 505.00
3/19/2005	19,330.000	2.55 - 5-00%	29,272,64		5452.3		M MCM
3/19/2005	94,838,000	230-3-00%	26,412,41		10,387,3		13,436,86
3142000	11,000,000	2.00%			15,458,6		
9090000	14,750,000	1904			9,579.3	00 1.252.3w	
11/15/9006	99,725,000	430-530%			3484	Ø2	19,775,00
11/15/0906	15,830,000	430-1009	15,626.91				
		MATERIAL WITH					
		prompted rates that	NO.				22,365,9
		of \$56 bedress	00.3655	MA.			17,160.0
309587	32,365,00	6 410010				-4	163.605.0
3132308	17,160.00				24,340	900	
6/30/2006	983,806,00	0 4:00-5:005	5				French Landston
			3 17000	B T 030	NO. 10 103.500	NO. 1 14413	26 T 66CTSC

			But	nest	Type Activities	_	Vastewater	Salance
Revenue	(starest Puts		Water Utility	Park	ing Facilities		Usikly	Questanding \$ 48,850,000
Bonds Dalled	2.80 - 5.375%	-	48 650,000	\$	1.5			90.480.000.00
11/1/1993	4.75 - 7.00%		90,480,600		1.07		3.0	70.115.000.00
8/15/1995			79,115,000					
11/1/1998	4.00 - 5.125%		18/11/2000		14.220.000		19	14,220,000.00
2/15/1999	4.00 - 5.00%				24,040,000		1	31,160,600.00
10/15/2001	4.00 - 5.00%		31,160,000		185,000		72	185,000,00
10/26/2008	Variable		1.7				- 12	15.155,000.00
10/1/2000	5.50 - 3.50%		1.9		15.155,000			781,500.00
	4.50%		100		761,500			197,500.00
7/11/2003	4.50%		4		197,500		*	6,410,000.00
7/11/2003					6,410,000			
10/28/2004	Variable				29,815,000			29,815,000.00
10/28/2004	2.50 - 5.00%		15.00		20,010,01		- 4	22,005,000.00
3/23/2005	3.50 - 5.00%		22,005,000		24,890,000		257	25,890,000.00
6/15/2005	4.00 - 5.00%				52/890/000		7,359,833	7,359,832.71
11/9/2007	0.00%		Control &				1,444,000	58,418,000.00
	3.00 - 3.00%		88.415,000					1. 420,818,833
4/23/2008	2.90 - 3.00 %	-	320,825,000	- 3	92,534,000	1	7,359,833	AND REAL PROPERTY.

## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

# VIII. Long-Term Obligations

# A. General Obligation and Revenue Bonds

The City has traditionally issued general obligation or revenue bonds to provide funds for the construction and acquisition of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In 1993 and 1997 the City established Water Revenue and Parking revenue bond programs, respectively. The Wastewater revenue bond programs are specified in fiscal year 2008.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds are limited liability obligations where revenues derived from the respective acquired or constructed assets are pledged to pay debt service.

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 20.08 follows:

					Enterpris	e Fi	unds		
	General Obligation Bonds		Water Utility Bonds	,	Wastewater Utility Bonds		Parking Facilities Bonds		Total
General obligation bonds outstanding at July 1, 2007. Bonds retired Bonds transferred	\$ 459,498,450 (40,341,765) (3,423,520) 145,405,000	. 5	17,210,346 (3,912,746)	5	84,483,354 (6,736,471) 25,360,000	\$	5,617,041 (1,352,973) 3,423,520	\$	107,310,741 (12,002,190) 3,423,520 25,360,000
Bonds issued Bonds outstanding at June 30, 2008 Unamortized (discount) premium	571,138,165 19,573,547		13,297,600 999,204		103,106,883 (253,912)		7,687,588 525,561		124,092,071 1,270,853
General obligation bonds outstanding at June 30, 2008, adjusted for unamortized (discount) premium	\$ 590,711,712	5	14,296,804	5	102,852,971	5	8,213,149	5	125,362,924
Revenue bonds outstanding at July 1, 2 Bonds refired	007	8	270,075,000 (7,665,000) 58,415,000		7,359,833	\$	94,759,000 (2,125,000)	5	364,834,000 (9,790,000) 65,774,833
Bonds issued Bonds outstanding at June 30, 2008 Less: Unamortized (discount) premium			320,825,000 (2,805,800)		7,359,833		92,634,000 (4,799,604)		420,818,833 (7,605,404)
Revenue bonds outstanding at June 30 adjusted for unamortized (discount) p	2008,	3	318,019,200	s	7,359,833	1	87,834,396	5	413,213,429

 trolodes a Section 108 lass with the Department of Housing and Listen Development (HLD) in the amount of \$11,000,000. Revenues from the Bread Creek Tax Increment Financing (FF) District are the privary revenues pulsage to support the Listend Cold Review. In Vegena, the TAP plange conditions a general disligation which contenting to DrV (sept Cold review).

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

The Parking System's Series 2004 Variable Rate Demand Bonds are remarketed weekly and have averaged 0.06% over the one-month London Interbank Offered Rate (LIBOR) elone longering.

The Series 2007 General Obligation Variable Rate Demand Bonds, utilized to finance the construction of the cruise terminal, are remarketed weekly and are generally anticipated to be 0.10% higher than the Securities Industry and Financial Market Association (IFIPMA) Index.

# B. General Obligation Bonds

A summary of the requirements to amortize general obligation bonds are as follows:

	Governmen	tal	Activities		<b>Business-Type Activites</b>			
Year Ending June 30,	Principal		Interest		Principal		Interest	
2009	\$ 48,142,389	\$	24,675,788	\$	11,160,807	s	4,457,913	
2010	45,992,487		23,973,539		10,585,326		4,271,151	
2011	45,642,965		22,074,553		10,683,842		3,844,107	
2012	42,477,249		19,904,699		9,505,200		3,369,126	
2013	37,040,792		17,916,052		7,551,233		2,971,412	
2014-2018	149,034,260		66,319,300		28,690,092		11,085,568	
2019-2023	116,746,217		34,656,821		25,077,843		6,379,581	
2024-2028	66,411,806		12,532,652		20,837,726		2,044,498	
2029-2033	10,535,000		3,847,192					
2034-2038	9,115,000		1,032,276					
Total	\$ 571,138,165	\$	226,932,871	\$	124,092,071	\$	38,423,354	

The detailed requirements to amortize general obligation bonds for the major proprietary funds are as follows:

		n. Fred	Wastewater !	Jolley Fund	Parking Fac	
Year Ending June 30,	Water Uti Principal	interest	Principal	Interest	Principal	Interest
2009 : 2010   2011   2012   2013   2014-2018   2019-2023   2024-2038   2029-2033   2024-2038   2029-2088   2029-2088   2029-2088   2029-2088   2029-2088   2029-2088   2029-2088   2029-2088   2029-2088   2029-2088   2029-2088   2029-2088   2029-2088   2029-2088   2029-2088   2029-20	3,757,731 2,812,578 2,822,993 2,058,267 747,197 1,098,833	\$ 629,238 437,701 304,804 163,900 74,546 54,860	6,585,615 6,666,060 6,592,873 6,366,531 26,370,701 24,221,963 20,153,022	1,986,299	437,504 1,220,558 855,880 684,704	\$ 347,943 285,421 226,972 166,901 131,771 430,312 235,58' 58,20

## C. Revenue Bonds

The water revenue bond covenants require that each year's water utility fund net revenue not be less than the greater of (i) the sum of 1.1 times senior dest service revenue not be less than the greater of (ii) the sum of 1.1 times subordinated debt service or 5.0 times the funding requirements and 1.0 times subordinated debt service from the revenue fund for portating fund, the bond fund, the parity debt service fund, the demt reserve fund and the rate stabilization fund. Pursuant to the service fund for the revenue bond indenture, certain resources have been set easie for the repayment of the revenue bonds. These resources have been set easie for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

The parking revenue bond coverants require that each year's parking facilities fund net revenue not be less than the greater of (i) the sum of 125 times senior debt service and 1.0 times subcorbs the parking facilities subcorbs and the service and (ii) 1.0 times the funding subcorbs and the revenue fund to the operating fund, the bond revenue for the parking fund, the bond service reserve fund, the MacArthur Chelter garage reserve fund, the repair and replacement reserve fund, the surely bond interest fund and the subcordinate debt service fund. Pursuant to the terms of the revenue bond indenture, certain resources have been active to the terms of the revenue bond. These resources have been active to the terms of the revenue bonds. These resources have been active to the terms of the revenue bonds. These resources have been active to the terms of the revenue bonds. These resources have been active to the terms of the subcorbs and the subcorbs a

The wastewater revenue bond covenants require that each year's wastewater utility fund net revenue will equal at least 1.15 times the amount required during the fiscal year to pay the principal of the wastewater revenue bond, the additional payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness under leases which are treated as capital leases under

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

At June 30, 2008 the following defeased bonds from advance refunding are still

Defeased In	Original Issue	Obli	General gation Bonds
2005	1998	5	20,630,000
2005	1999		4,680,000
2005	2000		6,300,000
2005	2002		4,050,000
2006	1999		1,170,000
2006	2000		2,700,000
2006	2002		4,050,000
2006	2002B		6,920,000
2000		\$	50,500,000

Defeased in	Original Issue	Pari	king Revenue Bonds
2000	1999 2000B	\$	420,000 2,705,000
2002	1.444.0	•	3 125 000

# F. Lease Obligations

Cepital Lesses:
The City leases certain computer, automotive, solid waste automation and other heavy equipment. The remaining debt service requirements, including interest at rates varying from 2.45% to 4.09%, will be retired by funds from the general fund on the afforcementioned contracts.

Operating Leases: The City leases various facilities for operational and office space from various leases under operating leases. Total rental expenditures under these leases were \$2,808,088 for the year ended June 30, 2008.

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

generally accepted accounting principles, but excluding any general obligation bonds issued to finance wastewater system property.

The detailed requirements to amortize water and parking revenue bonds are as

	Water F	tene	nue		Parking !	Bene	nous		Wastewate	r.Re	SHOW
	Principal		Interest	_	Principal	_	Interest	_	Principal	_	Interest
s	8.050.000	5	16,411,343	\$	2,230,000	\$	4,529,987	\$		\$	-
	9.420.000		15.929.680		2,560,000		4,437,658		183,996		100
	9.875.000		15,467,723		2,635,000		4,349,049		367,992		
	10,375,000		14,973,521		2,755,000		4,220,647		367,992		
	10,900,000		14,446,373		2,640,000		4,086,138		367,992		
	63,680,000		63,047,766		15,554,000		18,355,157		1,839,958		
	83,090,000		43,649,474		19,740,000		14,388,158		1,839,958		
	71.455.000		20,897,512		24,475,000		8,996,391		1,839,968		1.0
	30,965,000		8,550,791		17,710,000		2,643,468		551,987		1.5
	19,440,000		3.040.597		2,125,000		146,059				100
	3,575,000		84,906								
s	320,825,000	5	216.490.685	3	92.634.000	5	66,152,712	\$	7,359,833	\$	

## D. Other Notes and Loans

The City issued a \$2,000,000 note for the acquisition of land from The Catholic Diocess of Richmond on December 18, 2007. The balance of the note will be paid according to the following schedule:

Year Ending June 30,		Principal	Inte	rest
		1,000,000		
2010		1,000,000	_	
Total	3	2,000,000	3	

# E. Advanced Refundings

Previously, the City of Norfolk defeased certain general obligation and revenue bonds by placing the proceeds of new hoods in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the fund's financial statements.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

Future year lease obligations are listed below:

Year Ending June 30,		Capital Lease bligations	Operating Lease Obligations		
2009	\$	1.845,478	5	2,663,155	
2010		1,175,523		1,963,392	
2011		398,865		1,664,225	
2012				1,222,686	
2013		-		789,227	
Total minimum lease payments		3,419,867		8,302,685	
Less interest		(126,723)			
		3,293,144			
Less current portion		(1,758,251)			
	- 5	1,534,893			

# G. Landfill Liability

The City closed its Campostella landfill site on June 30, 1992. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 30 years after closure. The \$1,24,962 reported as an obligation for landfill closure and post-closure costs at June 30, 2008 reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

The Campostella landfill statistically exceeded groundwater protection standards in May 2002. Until a remedy for corrective action is chosen and approved, \$1,000,000 is included in the liability above for groundwater corrective action as required by

# H. Compensated Absences

A liability for vested vecation and sick leave benefits is recorded as general long-term obligations. These benefits represent future obligations of the following funds and component units:

Primary Government: Governmental activities: General fund	\$ 14,678,991
Non-major governmental and internal service funds Total governmental	\$ 1,225,238 15 904,229
Enterprise funds: Water utility fund Wastewater utility fund Parking fund	\$ 930,200 330,300 278,836
Total enterprise funds	\$ 1,539,336
Component Unit - School Board	\$ 9,593,219
Component Unit - CSB	\$ 1,141,541

# I. Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a calling in the amount of general obligation borrowings, which may be issued by the City without referendum. At June 30, 2008 the City's detti limit is \$1,48,016,107 of which \$1,14,273,4673 is available for creation of additional debt. There are no overlapping tax jurisdictions.

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CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

		Balance	A	dilions	Re	educions		Ending Balance		n One Year
DOVERNMENTAL ACTIVITIES; Bunds, Notes Psysible and Capital Leases: General obligation detel Notes	5	484,782,164 205,586 8,296,539	1	151,190,280 2,000,000	5	45,260,732 226,586 5,011,098	1	990,711,712 2,000,000 3,285,441	i	49,876,790 1,000,000 1,755,630
Capital Hoses Total Bonds, Notes and Capital Leases	\$	493,305,299	5	153,190,290	3	50,498,416	1	595,997,153	\$	52,632,420
Other Liabilities: Versied compensated absences Redirement system contribution Other pool-engisyment benefits Redirements like insurance Redirements	5	14,235,750 22,307,851 620,000 25,066,660 1,321,138	1	11,291,961 23,695,296 5,634,896 12,298,516	1	9,956,858 22,307,851 195,130 62,000 12,305,870 77,485	5	15,570,842 23,95,256 5,439,766 560,000 26,000,306 1,243,692	5	10,000,000 23,585,296 5,436,766 60,000 4,909,342 80,000
Landill closure and post-dosure costs. Total Other Liabilities	1	63,551,399	T	\$2,810,619	1	44,903,156	1	71,458,862	5	44,074,364
Governmental Activities Long-term liabilities	1	556,856,688	5	296,000,899	1	95,401,572	\$	667,456,015	5	96,706,784
Internal Service Funds: Copital leases Redrement system contribution	1	494,205	1	306,160 232,901	1	2,510 454,265 218,675	\$	7,703 308,160 333,367	5	2,621 308,160 237,641
Vested compensated absences Total Internal Service Funds	1	319,161 733,669	1	541,961	1	625,470	1	\$49,290	5	548,43
Total Governmental Activities	3	567,580,347	1	206,541,960	1	96,027,042	1	668,105,265	5	97,255,21
BUSINESS-TYPE ACTIVITIES. Bonds and Notes Payable Water Waterwater	5	284,867,735 83,181,054 93,744,306	5	58,415,000 32,719,833 3,857,910	5	10,764,731 5,686,083 3,654,453		332,316,004 110,212,804 96,047,545	1	11,807,71 6,150,11 3,482,91
Parking facilities Total Bonds and Notes Payable	1		3	94,992,525	1	20,009,267	1	538,576,353	1	21,440,8
Other Liabilities: Vestad compensated absences Ratinement system carbibution Other post employment benefits Claims and judgements	1	1,420,796 2,423,808 1,620,000		1,216,303 1,774,160 602,234 3,817,619		1,900,000		1,774,140 602,234 3,817,615		995,9 1,774,1 602,2 2,837,6
Total Other Liabilities		5,764,607		7,410,290		5,441,57		7,733,325		5,909,5
Total Business-Type Activities		\$ 469,357,700	1	102,402,81	1 1	25,450,84		3 PR.MILET		20,000

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

## J. Bonds Authorized and Unissued

A summary of bonds authorized and unissued as of June 30, 2008 are as follows:

Project Categories		Total
General Obligation Bonds Authorized and Unissued:		
Capital fund projects:		
General capital improvement projects	\$	101,997,850
Towing and Recovery capital improvement projects		150,000
Storm Water capital improvement projects		3,550,660
Capital fund projects total		105,696,510
Wastewater Utility fund projects		5,535,746
General Obligation Bonds Authorized and Unissued	-	111,234,258
Revenue Bonds Authorized and Unissued:		
Water Utility fund projects		3,075,000
Parking Facilities fund projects		84,407,000
Revenue Bonds Authorized and Unissued		87,482,000
Total Bonds Authorized and Unissued		198,716,258

# K. Changes in Long-Term Obligations

A summary of fiscal year 2008 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

		Beginning Between	_	Addions		leductions		Ending Balance		nounts Due in One Year
COMPONENT UNIT ACTIVITIES:										
Other Liabilities:										
Vested Compensated Asserces Community Services Board Naylos Public Schools	1	1,009,242	1	830,184	5	700,885 8,611,500		9,599,219	1	882,311 585,754
Pension Liability: Community Services Board		905,722		960,617		905,722		960;617		960,617
Other goal employment benefits Nurtuk Public Schools				2,255,000				2,265,000		2,265,000
Workers' Compensation Claims Number Public Schools		1,612,565		834,337		629,523		1,626,309		160,842
Claims Liability Number Public Schools	_	900,000	_	134,283	_	189,158	_	45,125	_	36,661
Tutal Component Unit-type Attivities		12,842,308	1	14,007,381		11,227,786	5	15,621,901	3	4,883,400

# IX. Other Liabilities

Pursuant to a water services contract between the City of Norfolk and two wholesale customers, the Water Utilities fund conducts a rate true-up every two years to bring the projected rates developed at the start of the bu-year pariot to the actual cost incarred during the period. In fiscal year 2006 the Water Utilities fund recorded a liability of \$3,347,515 to reflect the true-up result. The amount due within one year is \$2,537,615 and the long term portion is \$1,250,000. The amount will be reimbursed to the wholesale customers by crediting each of their morthly billings during fiscal years 2009, 2010 and 2011.

## Pension Plans

The City and its component units participate in three defined benefit pension retirement plans. These include the Employees' Retirement System (ERS) of the City of Norfox (X.A), Virginia Retirement Mortin (RS) a plan administered by the Commonwealth of Virginia for the benefit of Norfox School Board employees (X.B); and a VRS plan for the benefit of sale employees constitutional offices (X. C). In addition, the School Board has a defined contribution plan.

# A. Employees' Retirement System of the City of Norfolk (System):

# Plan Description

Prian Description

The Employees' Retirement System of the City of Norfolk (System) is the administrator of a single-employer noncontributory, defined benefit plan that covers contributed and an employees of the City, excluding School Board and Constitutional Offices' employees who are covered by the Virginia Retirement System. The System provides retirement benefits as well as death and disability benefits. As benefits are staff or years of creditable service. Cost-of-living adjustments of CCOLA-3 are provided at the discretion of the City Goundi. The System (CCOLA-3) are provided at the discretion of the City Goundi. The System (CCOLA-3) are provided at the discretion of the City Goundi. The System (CCOLA-3) are provided at the discretion of the City Goundi. The City Standard statements and also issues a separate publication of the CRS is included as a Persion Trust table financial report that includes financial statements and require supplementary information for the ERS. That report may be obtained by writing to Employees' Retirement System of the City of Norfok, City Hall Butsing, 310 Union Street, Suite 309, Norfok, VA 23510.

## Funding Policy

Section 37 of the Code of the City of Norfolk, Veginia, established the authority under which the City's obligation to contribute to the plan is determined. Contribution requirements are actuariatly determined at the end of each fiscal year and paid by the City is ensuring year. The contribution requirement of each fiscal year and paid by the City and the sensing year. The contribution requirement of experienced for general properties and city 25% of covered payroll for public actions of the contribution requirement is recorded in the City's Statement of Net Assets as a liability payable to the pension fund and will be made in fiscal year 2009.

For 2008, the System's annual pension cost was equal to the City's required and actual (to be made in 2009) contribution. The required contribution was determined as part of the June 30, 2008 actuard situation using the projected unit credit cost method: "The amortization-method used is level dollar spein, "Sprilicant actuarial assumptions included: (a) 7.5% investment rate of return (rest of administrative expenses), (b) projected average salary increases of 5.46% and (c) assumed infletion rate of 3.5%. The actuarial value of assets was determined using

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

the VRS Board of Trustees. The School Board's professional and nonprofessional employees' contribution rates for the fiscal year ended June 30, 2008 were 10.3% and 8.62% of annual covered payroll, respectively (not including assumed 5%). The School Board's contributions to the VRS for the years ended June 30, 2008, 2007, and 2006 for professional employees were \$37,856,170, 332,978,487, and 254,356,694, respectively, such amounts comprising 100% of the required contributions for three years.

# Annual Pension Cost - Agent Multiple-Employer Plan

Annual Pensión Cost - Agent Mulipre-Employer Plan

For 2008, the School Board's annual pensión costs of \$2,454,422 for nonprofessional employees were equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial contributions at June 30, 2007 included (a) 7.5% investment method, by projected salary increases of 3.75% to 5.73% and (c) 2.5% investment cost-of-living adjustments. Both (a) and (b) included an initiation of the School Board's assets be into the modified market value of assets. This method was determined using the soft of the School Board's assets over a five-year period. The amortization method is open and the remaining amortization period is 20 years.

Trend information for the School Board's agent multiple-employer plan for nonprofessional employees is as follows:

Fiscal Year Ended	Pe	Annual nsion Cost	Percentage of APC Contributed	ension gation
June 30, 2008		2,454,422	100%	\$
		2,220,834	100%	\$
June 30, 2007 June 30, 2006		1,603,078	100%	\$

# School Board - Superintendent Defined Contribution Plan

The School Board adopted a separate retirement plan for the Norfolk Superintendent of Schools in which the Superintendent could elect out of the defined benefit plan administered by YRS and only into an optional Retirement for School Superintendents (ORFAS) under Vriginia Code Section 51.1-1286, also administered by VRS. The ORPAS'S is a defined contribution plan.

For any plan year commencing after June 30, 2008, that the participant remains an eligible employee, the School Board will set the amount for the plan contribution on behalf of the participant using the percentage of gross annual staling wallows under Virginia Status. The current percentage is 10.4%. For the plan year, the School Board, in its discretion may contribute to another qualified or non-qualified plan an additional amount not to exceed the difference between the amount contributed to the ORPSS and \$25,000.

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The remaining amortization period at June 30, 2008 was 19 years.

## Three-Year Trend Information

Fiscal Year Ended	P	Annual ension Cost	Percentage of APC Contributed	ension igation
June 30, 2008	\$	25.667.556	100%	\$
June 30, 2007	3	25,135,944	100%	\$
June 30, 2006	8	25.728.228	100%	\$

# B. School Board - Retirement Plans

# Plan Description - Virginia Retirement System (VRS)

Plan Description – Virginia Retirement System (VRS)

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both multiple-employer and a cost-sharing multiple-employer defined benefit pension plan for the School Board. All full-lime, salaried permanent employees of the School Board multi participate in the VRS. Benefits vest after five years of service and at 50 with 50 years of service for participating employers payable monthly for life in an amount equal to 1.7% of their average final compensation (APC) for each year of ceredited service. Benefits are schurally reduced for retirees who retire prior to becoming eligible for full reterense themefast, in addition, retires qualify for amusic cost-of-living adjustments (COL) beginning in their second year of retirement. The COL is limited to 5% per year. APC is cellined as the highest consecutive 30 months of reported compensation. The VTRS also provides death and dissability benefits. Tills 91.1 of the Code of Virginia (1939), as amended, assigns the authority to establish and amend benefit provision to the

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <a href="http://www.varetire.ospi?/df/20028-annu/segt.pdf">http://www.varetire.ospi?/df/20028-annu/segt.pdf</a> or obtained by writing VRS at P. D. 80x 2500, Richmond, VA 2231 E-2500.

## Funding Policy

Title 51.1 of the Code of Virginia (1950) requires plan members, as amended, to contribute 5% of their annual reported compensation to the VRS. The School Board has assumed the 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to bod its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

The Virginia Retirement System is the administrator of the plan and Great West Retirement is the trustee. Contributions for the year ended June 30, 2008, were fixed contributions of \$21,372.

# C. State Employees - Virginia Retirement System (VRS):

State Employees – Virginia Retirement System (VRS):

Plan Description
The City of Mortolk contributes to the Virginia Retirement System (VRS), an agent, which administers both multiple-employer and a cost-sharing multiple-employer (age to constitutional discensarial transparent control sharing multiple-employers are eligible for an unreduced retirement benefit at age 65 with 5 years of service for participating and employers (age 60 with 5 years of service for participating law enforcement officers and firefightens) and age 50 with 30 years of service for participating law enforcement officers and firefightens and service for participating law enforcement officers and sharing multiple sharing sharing multiple sharing sharing multiple sharing multiple sharing multiple sharing multiple sharing multiple sharing multiple sharing mul

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the City. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using an actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the year ended June 30, 2007 was 4.85% of annual covered payrol. Contributions to the VRS for the year ended June 30, 2008 were \$2,375,759 equal to the required contribution.

# Annual Pension Cost

For 2008, the City's annual pension cost of \$2,375,759 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2007 actuarial valuations using the entry age normal actuarial cost

method. The amortization method is level percent open. The actuarial assumptions included: (a) 7.5% investment rate of return; (b) projected salary increases that range between 3.75% to 5.60% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.5%. The actuarial value of the City's assets is equal to the modified market value of sasets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The remaining amortization period is 20 years.

Trend information for the City VRS plan is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 2,375,759	100%	\$ .
June 30, 2007	\$ 2,305,090	100%	\$ -
June 30, 2006	\$ 1,811,851	100%	5 .

# XI. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with internal Revenue Code Section 457. The plan, available to all City employers, permits them to defer a portion of their salary until future years. The deferred may be up to 27% of gross income up to a maximum of 315,500 per year. The deferred compensation plan is not available to employees until termination, referenced, deeth or unforeseents.

The laws governing the City's deferred compensation plan have been complied with pursuant to the provisions of IRC Section 457. Accordingly, all assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

## XII. Other Post-employment Benefits (OPEB)

## Plan Description

The City of Norfolk and the Norfolk School Board provide post-retirement health care benefits, in accordance with state statutes, which require extending access to healthcare benefits to certain retirees. General City employees are eligible to participate at the scalar of age 55 and 55 years. So well as the scalar of the s

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

Using the most recent OPEB plan valuation date of July 1, 2007, the following table shows the components of the City's and School's annual OPEB costs projected for the current fiscal year, the amounts contributed to the Plan and the changes in the net OBEB obligation (amounts in millions);

	City	Schools	Total
Actuarial liability:		16.19	0.000
Active employees	\$23.2	42.8	\$ 66.0
Retirees	20.4	16.9	37.3
Total actuarial liability	43.6	59.7	103.3
Less: plan assets	0.0	0.0	0.0
Unfunded actuarial accrued	\$43.6	59.7	\$103.3
liability (UAAL)	\$43.0	55.1	4100.0
_	City	Schools	Total
Annual required contribution:	Carrier Coar		\$ 7.16
Normal cost	\$4.48	2.68	
UAAL amortization	1.56	2.14	3.70
Total ARC	\$6.04	4.82	\$10.86
Less: contributions made	2.26	2.56	4.82
Increase in net OPEB obligation	\$3.78	2.26	\$ 6.04
Net OPEB obligation at beginning of the year	0.0	0.0	0.0
Net OPEB obligation end of	\$3.78	2.26	\$ 6.04

# Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the OPEB Plan was unfunded. The actuarial accrued isability for benefits was \$103.3 million and the actuarial value of assets was \$0.3 resulting in an unfunded actuarial accrued liability (UAAL) of \$103.3 million. The covered payroll of active City and School employees covered by the plan was \$403.4 million, and the state of the UAAL to the covered payroll was \$25.8 percent. Additional details on the plant is state of the ChaAL to the covered payroll was \$25.8 percent. Additional details on the plant is considered to the covered payroll statements in required supplementary information following these notes to the financial statements.

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

may purchase health care coverage using the same health care plans and premium structures available to active employees. Retiree participation, planihophenfit elections and contributions, are administered by the CRFy Retirement Bureau and the CRFys and the Schools' benefits offices based on the participation guidelines established by the NorteX CRF Council and Norfolk School Board. Benefits are currently managed on a pay-as-you-go basis rather than use of an irrevocable trust and a separate financial report of the OPEB Plan is not issued.

## **Funding Policy**

No employee contributions are required prior to referement to participate in or fund the OPEB Plan. Currently, the City and Schools pay a set amount towards the monthly premium for participating referees. This set contribution amount is an explicit subsidy of \$25 per month for the City and \$75 per month for the Schools per participating retired. Reflerees may not convert the benefit into an in-fleue payment to society coverage retired independent plans. The plan sponsors also pay an implicit subsidy by allowing referees to participate in the same bremium structure as available to participate in the same bremium structure as available to participate in the same bremium throughout the plan other than the pay-as-you-go amount necessary to provide current bene list to employees.

## Annual OPEB Cost and Net OPEB Obligation

The City's and School's annual OPEB cost (expense) is calculated based on the annual required contribution (ARCI), an amount actuarially determined in accordance with QASB Statement No. 45. Under this Statement, Sovermments report on an accrual base, benefit costs related to the period in which benefits are aarned rather than to the period of benefit distribution. The annual required contribution represents a level of fluid that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial fabilities over a period not to exceed thirty years.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include tochniques designed to reduce short-learn voiability in actualial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation was performed as of July 1, 2007 with results projected for the fiscal year ended June 30, 2008. The entry age normal actuarial cost method was used with a level persent closed amountization method over 30 years. A discount rate reflecting the value of future tax dollars, of 4.7% was used, which approximates the City's recent cost of borrowing. Annual rates of health care costs and salary costs used were 10% and 4.5% respectively.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Actuarial valuations are subjected to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

# XIII. Interfund Receivable and Payable Balances

The composition of interfund activity as of June 30, 2008 is as follows: Due to/from other funds:

Receivable Fund	Payable Fund	Amo	
General fund	Capital Projects fund	\$	678,703
General torio	Water Utility fund		1,633,655
	Nauticus fund		412,508
	Grants fund		55,417
	Stormwater fund		390
	Fleet Management fund		113,362
	Storehouse fund		69,599
	Emergency Operation Center - 911 fund		939,012
	Community Development fund		210,421
	Total General fund	\$	4,113,067
Capital Projects fund	Water Utility fund	5	465,085
	Wastewater fund		6,564,564
	Parking Facility fund		5,033,311
	Fleet Management fund		57,874
	Total Capital Projects fund	\$	12,120,834
Nonmajor governmental funds	General fund	\$	6,647,121
tetransfor Bosenmerum reves	Mantime Facility fund		11,648
	Fleet Management fund		35,000
	Wastewater Utility fund		132,612
	Total Nonmajor governmental funds	5	6,826,381
Water Utility fund	General fund	\$	1,144
trade dring to the	Total Water Utility fund	\$	1,144
Wastewater fund	Water Utility fund	\$	83
11000011010	Total Wastewater fund	\$	83
	Total enterprise funds	\$	1,227
Internal service funds	Grants fund	\$	88,400

The outstanding balances between funds result mainly from the time lag between the dates (1) Interfund goods and services are provided or reimbursement occurs, (2) transactions are recorded in the accounting system, and (3) payment between funds are made.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

The nonexpendable special revenue fund transferred \$305,580 to the Cemeteries fund in support of the city's cemeteries.

The Maritime Facility special revenue fund transferred \$11,848 to the Grants special revenue type fund for support.

The Golf special revenue fund transferred \$400,000 to the Capital Projects fund in support of the fund's capital related projects.

The Fleet Management internal service fund transferred \$35,000 to the Grants special revenue type fund for re-encumbrances for purchase of goods and services.

The Water and Wastewater funds transferred \$8,500,000 and \$1,500,000 to the General fund as a return on investment, respectively.

The Wastewater fund transferred \$132,612 to the Grants Fund for pre-encumbrances for the purchase of goods and services.

The Parking Facilities fund transferred \$79,417 to the Mantime Facility fund to cover parking costs of cruise customers.

The general fund also transferred \$101,094,910 to the School Board component unit, and \$3,701,000 to the Community Service Board component unit during the fiscal year. These amounts are reported as expenses in the primary government's financial statements, and revenues in the component unit financial statements.

# XV. Recovered Costs

Recovered cost in the General fund: Public Health Center Information Systems recoveries Retirement Bureau Debt service recoveries Administrative costs recoveries from enterprise funds Other Total recovered costs in the General fund	5	933,193 1,462,487 477,015 223,760 3,328,657 2,196,024 8,620,136
Recovered Cost in the non-major funds Public safety Grand total	5	1,460 8,621,596

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

## XIV. Interfund Transfers

The following interfund transfers occurred during fiscal year 2008:

Fund		In		Out	
General fund	8	10,000,000	5	86,197,266	
Debt Service fund		58,921,220		-	
Capital Projects fund		20,504,313			
Nonmajor governmental					
funds		20,475,092		13,456,330	
Internal service funds:					
Fleet Management fund		100		35,000	
Enterprise:					
Water Utility fund				8,500,000	
Wastewater Utility fund				1,632,612	
Parking Facilities fund				79,417	
	\$	109,900,625	S	109,900,625	

The purpose of the transfer balances are as follows:

General fund transfers in of \$10,000,000 include \$1,500,000 from the wastewater fund and \$8,500,000 and from the water utility fund and represent a return on investment back to the general fund.

The general fund transfers out of \$86,197,266 represents a transfer of \$56,960,118 to the debt service fund to fund general obligation debt; \$9,326,313 to the capital projects fund as a contribution for annual capital improvement plan budget; \$13,616,000 to the grants fund in support of grant projects; \$2,427,772 to the Naudicus fund, \$749,156 to the cemeleries fund, \$1,627,767, Emergency Operations/E-911 fund, and \$1,481,531 to the Admitter Peciality fund.

Debt service transfers in include \$1,744,352 from the Storm Water fund, \$216,750 from the Public Amenities fund and \$56,960,118 from the General fund to fund the current year's debt service payments.

The Storm Water special revenue fund transferred \$1,744,352 to the Debt Service fund to cover its debt service cost and \$500,000 to the Capital Projects fund in support of related capital projects.

The Public Amenities special revenue fund transferred \$9,050,000 to the Capital Projects fund in support of the fund's capital related projects and \$216,750 to cover its debt service cost.

The Land Acquisition special revenue fund transferred \$1,228,000 to the Capital Projects fund in support of the fund's capital related projects.

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

# XVI. Other Liabilities

Other liabilities, as presented in the Fund Financial Statements, consist of the following

Governmental Funds:		
General fund - miscellaneous	\$	3,552,339
General fund - accrued expenditures		2,677,050
Capital Projects fund - miscellaneous		3,372
Grants fund - miscellaneous		180,447
	S	6,413,208
Enterprise Funds:		
Water Utility fund - miscellaneous		550,571
Wastewater Utility fund - miscellaneous		341,059
Parking Facilities fund - miscellaneous		582,659
	\$	1,474,289
Fiduciary Funds:		
Other funds	\$	9,737,869
Commonwealth of Virginia		18,114
	\$	9,755,983

# XVII. Supplemental Appropriations

General Fund:

The following supplemental appropriations were made to the general fund operating budgets during the fiscal year:

Approved fiscal year 2007-2008 budget	5	795,835,700
Supplemental appropriations from additional revenue:		
Anticipated revenue from Norfolk Redevelopment and Housing Authority for rent		300,000
Supplemental appropriations from general fund fund balance:		
Additional funds appropriated from fund balance for various programs. Additional funds appropriated to cover costs associated with capital improvement		9,186,521
increases		5,400,000
Total supplemental appropriations		14,886,521
Final budget	\$	810,722,221

# XVIII. Unearned Revenue

Deferred revenue, as represented in the fund financial statements at June 30, 2008 totals \$30,761,063 and is comprised of the following:

## A. Deferred grant funding

In the special revenue funds, unearned revenue of \$612,620 represents monies accepted from a grantor using an edvancement method for payments. The amount is reduced and revenue is recorded when expenditures are incurred in accordance with the grantors' requirements. If expenditures are not incurred in the funds will revere thack to the grantors. In the community development fund, the undersided revenue represents deferred payment rehabilitation learns of \$596,978 as of June 90, 2009.

## B. Deferred property tax revenue

Unearned revenue in the general fund, representing uncollected tax billings not available for funding of current expenditures as of June 30, 2008 is \$29,901,167.

## C. Other receivable

Unearmed revenue in the storm water special revenue fund, representing deferred billings that have been earned but are not available for funding current expenditures at June 30, 2008, totals \$219,642.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

# XX. Surety Bonds and Insurance

Surety	Official	Amount
Commonwealth of Virginia	Sharon McConaid, Commissioner of the Revenue Thomas W. Moss, Jr., City Tressurer Robert J. McCabe, Sheriff George E. Schaefer, Cierk of the Circuit Court Total Commonwealth of Virginia	\$ 3,000 1,500,000 30,000 2,235,000 \$ 3,768,000
Commonwealth of Virginia	All employees of the City Treasurer, Sherift, Commissioner of the Revenue, Commonwealth's Altomey, and Cierk of the Circuit Court Performance of Duty Bond	s 500,000
City of Norfolk	Travelers Insurance Co.	\$10,000,000

# XXI. Self and Purchased Insurance Programs

The City is exposed to various risks of losses related to torts; theft and destruction of assets, errors and omissions; injuries to employees; and, natural disasters. On July 11 on 100 of the control o

The City currently reports all these activities as part of the risk management function in the general government section of the General fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of oil tipolices are reported when it is probable that a loss has occurred and the amount of oil tipolices are reported when the probable of the p

Changes in the City's claims liability amount in the fiscal years 2007 through 2008 are as follows:

	Beginning Balance	Incurred Estimated	Claims Paid	Ending Balance
2007	19,922,358	10,659,920	5,515,618	25,066,660
2008	25,066,660	12,313,224	12,305,870	25,059,306

During fiscal year 2008, the City paid a large automobile liability claim in the amount of \$7.5 million. The obligation was met without decrementing the City's financial stability

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

## XIX. Commitments and Contingencies

# A. Capital projects

Commitments for completion of capital projects in the Business-Type Activities, authorized at June 30, 2008 are as follows:

 Waster utility development projects
 \$ 13,000,000

 Wastewater utility development projects
 14,019,692

 Parking facilities development projects
 47,798,380

 Total
 \$ 74,818,052

Commitments for completion of capital projects in the Governmental Activities, authorized at June 30, 2008 are \$57,185,721. See Exhibit J-3 Capital Improvement Program Schedule of Expenditures for listing of projects.

# B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any distallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be distallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

## C. Litigation

From time to time the City and its component units are defendants in a number of lawsuits. Although it is not possible to determine the final outcome on these matters, management and the City alterney are of the opinion that the lability will not be material and will not have a significant effect on the City's financial condition.

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

and operational continuity. At the present time, this particular claim is viewed as a statistical anomaly when compared to the City's recent years and long-term loss experience, is not anticipated as being indicative of the City's change in trends, and is not representative of anticipated loss events that would threaten the City's financial sustainment in the foreseeable future. Until fiscal year 2008, aggregate annual automobile liability claims costs, included in the total liability claims past figures should, had been less than \$1 million, with singular incidents paid at significantly losser amounts. The City continues to self-insure most of its automobile liability risks since a formal plan was adopted in 1985.

# XXII. Jointly Governed Organizations

# A. Hampton Roads Regional Jail Authority (HRRJA)

HRRJA is a regional organization which includes the cities of Hampton, Newport News, Norfolk and Portsmooth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community, HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended, and is governed by a twelve member Board of the code of Virginia, as amended, and is governed by a twelve member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the code of Directors, with acold insidividual having a single vote. HRRJA is suddited annually by independent accountants that it engages.

The participating governments do not have an equity interest in the HRRJA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2008. Complete financial statements of HRRJA can be obtained from HRRJA.

# B. Hampton Roads Planning District Commission (the Commission)

A regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsual Planning District Commission and the Peninsual Planning District Commission by July 1, 1990. The Commission performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Pottsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of Commission of Wight, James Uty, Southampton and York Revenue of the Commission of Wight, James Uty, Southampton and York Revenue of the Commission of Wight, James Uty, Southampton and York Revenue of the Commission of Wight, James Uty, Southampton and York Revenue of the Michael Planning Commission of Wight (Institute Charles) and Williamsburg and Will

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

statements at June 30, 2008. Complete financial statements of the Commission can be obtained from the Commission.

# Tidewater Transportation District Commission (TTDC)

A political subdivision of the Commonwealth of Virginia formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of Chapter 32 of The 15.1 of the Code of Virginia. TTDC provides public transportation facilities and services within the cities of Norfalk, Portramptor, Originia Beach, Chestpacks and Soffick, Virginia. Coversjot responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of TTDC rests with professional management.

The participating governments do not have an equity interest in TTDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2008. Complete financial statements of TTDC can be obtained from TTDC.

#### XXIII. Joint Venture

# Southeastern Public Service Authority (SPSA)

SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isis of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste retrue. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by an eight-member Deard of Directions consisting of a representative application of the member cities and counties. Budgeting are september to provide a proposal of the control of the common service of the control of the co

The participating governments do not have an equity interest in SPSA, accordingly, no equity interest has been reflected in the City's financial statement June 30, 2008. Complete financial statements of the SPSA can be obtained SPSA.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

Section 144(q) of the City Charter; the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the Alriport.

## C. The Economic Development Authority of the City of Norfolk (EDA)

he Economic Development Authority of the City of Norfolk (EUA)

The Economic Development Authority, a political subdivision of the Commonwealth of Virginia, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (Title 15), as amended. It is authority of the Subdivision of Virginia (Title 15), as amended. It is authority and develop trade of properties to be manufacturing, industed any promote Industry and develop trade by industry to the City and further the use of the Commonwealth or provided to the City and further the use of the Commonwealth or authorize industrial and commonwealth or authorize industrial development bonds and confer tax-energy status on interest paid to financial institutions. The EDA is accurate an intermediary between financial institutions and borrowers; it has no responsibility for borrowers' odd. Although Commissioners are appointed by City Council, the EDA designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from administrative fees charged to borrowers.

# D. The Chrysler Museum, Inc. (the Museum)

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980 by incorporating the Chrysler Museum at Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and recolves its revenue semantic and administrative fees charged to suitors and from other independent specialists.

# E. The Hospital Authority of Norfolk (HAN)

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pressure. The Council of the Commonwealth created pressure to optical as a long-term care duted July 1, 1986. It was a long-term care holidly located by the Council of the Cou

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

#### XXIV. Related Organizations

# A. Norfolk Redevelopment and Housing Authority (NRHA)

Norfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. NRHA provides subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. NRHA provides subdivision and the City of the City of the Commonwealth of the City o

generacy ceptures and the control of the Nordston agreement with NRHA to assist in the financing and construction of the Nordston store, in the MacArthur Center regional shopping mall. The construction of the Nordston store was financied with a loan partially secured by ground retail and store reach partners. The loan was further secured by a pledge of the City, subject to an appropriation of City Council, to load any deficits in meeting annual debt service requirements. At the conclusion of a ten-year restriction, this loan was refinanced by the City in January 2008. In prior years, primarily due to the financial refollorable creditionship credeted by the loan, NRHA was considered to be a component unit of the City.

#### B. Norfolk Airport Authority

Norfolk Airport Authority

Norfolk Airport Authority

Norfolk Airport Authority

Norfolk Airport Authority

Authority

To expect an airport and to promote industrial growth and consists of both an Airport fund and an investment fund. The Airport fund was established by the Authority to account for the operations of the Norfolk International Airport (the Airport). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Airport, and the Airport of the Norfolk International Airport (the Airport). Authority to provide for certain airport capital impreveness. The Airport of the Norfolk International Airport (the Norfolk International Internationa

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

## XXV. Subsequent Event

After the close of the fiscal year ended June 30, 2008, global economic conditions have changed and the City, like all other localities, is monitoring the conditions to determine and militigate potential fiscal impacts. Recent market conditions have resulted in a high degree of volatility and increased the risks and short term liquidity associated with certain investments held by the City's retirement system which could impact the value of the investments after the date of these financial statements. While there has been a negative return on the systems asset through November 30 2008, the ultimate impact on the ridded shallow with be delarmined based upon market conditions in effect when the reliement systems assets are measured on June 30, 2009.

# XXVI. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements will have on the City.

- GASB Statement 49, Accounting and Financial Reporting or Pollution Remediation Obligations, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a tie is polluted and any of the following recognition triggers

  - Pollution poses an imminent danger to the public or anvironment and the government has fittle or no discretion to avoid fixing the problem;
     A government has violated a pollution prevention related permit or license;
     A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paning all or some of the cost of the clean up;
     A government is named (or evidence indicates that it will be named) in a lawarit to compell it a address the pollution; and
     A government begins or legally colligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

Statement 49 requires governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. Statement 49 will be effective for financial statements for periods beginning after December 15, 2007, the tabilities should be measured at the beginning of that period so that the beginning net assets can be restated.

GASB Statement 51, Accounting and Financial Reporting for Intangible Assets.
 GASB 51 requires that all intangible assets not specifically excluded by its scope

#### CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2008

provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangitile assets, as applicable. Additionally, GASB 51 establishes a specified-conditions approach to recognizing intamplied assets that are internally generated and establishes criteria for when such expenditures should be capitalized. GASB 51 is effective for periods beginning after June 15, 2009, and generally requires its provisions to be applied retroactively.

generally requires its provisions to be applied retroactively.

GASB Statement 53. Accounting and Financial Reporting for Derivative Instruments. GASB Statement 53. Accounting and Financial Reporting for Derivative Instruments coast of the Committee of the Comm

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#### CITY OF NORFOLK, VIRGINIA REQUIRED SUPPLEMENTARY INFORMATION Schedule of Funding Progress (unsudired)

Actuarial Valuation Date		Actuarial Value of Assets		Actuarial Accrued shilly (AAL)		Overfunded) Actuarial Accrued billey (UAAL)	Funded Ratio		Covered Extrall	UAAL as a percentage of covered payroll
Retirement Plan	£									
CITY - EMPLO			× e	WETTEN.						
	S S		5	845,700,000	•	29,600,000	96.5%	5	157,700,000	18.8%
June 30, 2004	5	\$54,100,000	Š	883,900,000	ś	29,800,000	96.6%	5	160,200,000	18.6%
June 30, 2005	5		,	939,100,000	ŝ	58,100,000	93.8%	5	159,300,000	36.5%
June 30, 2006			5	972,200,000	ŝ	46,400,000	95.2%	5	168,100,000	27,6%
June 30, 2007	8	925,800,000	5	1,009,100,000	ŝ	71,300,000	92.9%	\$	175,400,000	40.6%
June 30, 2008	5	937,800,000	3	1,009,100,000	,	11,200,000	14.574			
CITY - VRS EN	4PLO	OYEES					120.9%		20.546.354	-24.2%
June 30, 2003	5		5	23,822,673	5	(4,979,947)			21.369.062	-17.5%
June 30, 2004	5	30,349,720	5	26,612,472	5	(3,737,248)			22,898,124	-0.5%
June 30, 2005	5	32,467,638		32,346,396	5	(121,242)	99.0%		23.344.075	1.60%
June 30, 2006	5	35,756,786		36,121,461	5	364,675			24,931,958	-4.9%
June 30, 2007	8	41,467,595		40,237,331	\$	(1,230,264)	103.1%		24,931,996	
remont non	en/	COMPONENT	INT	r - VRS NON-PR	OFF	SSIONAL EMPI	OYEES			
	S	53,170,951	5	51,919,382	5	(1,251,569)	102.4%	. 5	13,052,011	-9.6%
June 30, 2003	,	52,765,749	ŝ	54,345,074		1,579,325		. 5	13,647,900	
June 30, 2004	,	52,906,114	÷	61,150,786		8,244,672			14,211,173	58.0%
June 30, 2005 June 30, 2006		55,282,776		60,006,661		4.723.885			14,246,198	33.256
		61,180,012		66,118,525		4 938 513	92.59		15,236,207	32,4%
June 30, 2007	,	01,100,012	•	40,110,00		2				
Other Post-em	olion	nent Benefits (O	PEB	k						
		S AND RETIRE	ES			43.566.000	0.01		170,956,00	25.5%
July 1, 2007	\$		- 5	43,566,000	2	43,566,000	0.01	. ,	11/3/30/00	23.314
SCHOOL EM		YEES AND RET	TRI	ES		59.700.00		16 5	232,465,00	0 25.7%
July 1, 2007	5		5	59,700,00	5	59,700,00	0.00	. 3	232/463/30	22.774
TOTAL						100 000 000		6.5	403.421.00	0 25.6%
July 1, 2007	5		5	103,266,00	0 5	103,266,00	0.0		************	

# REQUIRED SUPPLEMENTARY INFORMATION

(OTHER THAN MANAGEMENT'S DISCUSSION & ANALYSIS)

(Unaudited)



#### CITY OF NORFOLK, VIRGINIA Schedule of Revenue, Budget and Actual (Unaudited) General Fund For the Year Ended June 30, 2008

Exhibit E-1

	_	Original Budget	Final Budget			Budget Basis Actual	Positive (negative) Variance with Final Budget		
General property taxes	5	234,990,000	\$	234,990,000	5	238,739,614	5	3,749,614	
Other local taxes		156,234,500		156,234,500		153,068,673		(3,165,827)	
Permits, privilege fees, ficenses		4,012,700		4,012,700		4,055,323		42,623	
Fines and forfeitures		1,525,000		1,525,000		1,307,680		(217,320)	
Revenue from use of money and property		8,534,700		8.834,700		8,165,289		(569,411)	
Charges for services		23,873,000		23,873,000		25,043,911		1,170,911	
Miscellaneous revenue		4,295,000		4,295,000		4,809,869		514,869	
Recovered costs		9,584,700		9,584,700		8,620,136		(954,564)	
Non-categorical aid - Virginia		34,942,800		34,942,800		34,172,905		(709,895)	
Shared expense - Virginia		21,465,800		21,465,800		21,233,397		(232,403)	
Categorical aid - Virginia		271,419,100		271,419,100		269,132,997		(2,286,103)	
Categorical aid - Federal		6,247,000		6,247,000		5,078,241		(1,168,759)	
Interfund transfers	_	18,711,400	_	33,297,921	_	33,297,921	_		
Total revenue budget	3	795,835,700	3	810,722,221	1	806,725,956	\$	(3,996,265)	

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Exhibit E-2

# CITY OF NORFOLK, VIRGINIA Schedule of Expenditures, Budget and Actual (Unaudited) General Fund For the Year Ended June 30, 2008

Legislative Executive Department of Law Finance Department of Human Resources Courts, Sheeff and Detention Department of Public Health Department of Human Services		Original Budget	Final Budget		Budget Basis Actual	(ne Varia	ositive egative) ance with al Budget
Dispatrent of Public Webs Replication & Levium Services Bioliusion Replication & Levium Services Bioliusion Replication & Levium Services Depatrent of Plearing Depatrent of Plearing Depatrent of Plearing Depatrent of Chic Facilities Depatrent support Course agreement support Depatrent of Plearing Depatrent	\$	849924 4,232,700 1,925,500 3,788,100 24,577,700 3,798,700 61,142,200 61,142,200 61,142,200 91,800 91,800 91,800 91,800 91,7300 91,800 91,7300	4.192.716 1.592.716 1.592.165 3.086.514 4.007.028 45.711.601 5.080.705 5.080.705 6.019.600 6.019		1,553,102 3,109,152 2A,948,870 3,978,730 45,947,304 51,794,730 61,793,168 42,572,180 42,572,180 42,572,180 464,143 4,570,822 641,143 4,570,822 641,143 6,1012,703 72,264,831 60,912,190 72,264,831 60,912,190 72,264,831 60,912,190 73,800,910 74,800,910 75,800,910 76,800,910 77,800,910 77,800,910 78,800 78,800	•	22,753 (1,007) (12,336) 49,052 31,206 (25,869) 65,961 302,264 865,762 594,151 46,222 (25,785) (178,650) (178,650) (178,650) (178,650) (178,7247) (179,7247
Office of Homelessress	S	196,600	 196,121	-	170,262 5 605,237,782	1	25,839 5,484,459

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# CITY OF NORFOLK, VIRGINIA Notes to Required Supplementary Information Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited) June 30, 2008

		General Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1 Differences—budget to GAAP:	5	806,725,956
The effects of accounting for school revenue as a component unit		(213,199,790)
The effects of accounting for revenue on a modified accrual basis		(23,297,921)
General fund transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes		(10,000,000)
Total revenues as reported on the Statement of Rovenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5	560,228,245
Uses/outflows.of resources;		
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2	\$	805,237,762
Differences-budget to GAAP:		
The effects of accounting for school expenditures as a component unit		(215,376,568)
Equipment purchased with bond proceeds		11,320,660
The effects of accounting for the FY-08 5% budget reserve		(1,162,121)
The effects of accounting for future year expenditures		(956,750)
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are		
received for financial reporting purposes		2,794,155
General fund transfers to either funds are outflows of budgetary resources but are not excenditures for financial reporting purposes		(86,197,266)
		(44),141,141,1
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	5	515,659,872
There were no material violations of the annual appropriated budget for the General fund for the fiscal year		

# OTHER SUPPLEMENTARY INFORMATION

# COMBINING FINANCIAL STATEMENTS

~ Nonmajor Governmental Funds ~ ~Agency Funds ~ ~ Internal Service Funds ~

# OTHER SCHEDULES

- ~ Schedule of Expenditures of Federal Awards ~
- ~ Notes to Schedule of Expenditures of Federal Awards ~
- ~ Schedule of Revenues and Expenditures Budget and Actual - Special Revenue Funds ~

Schedule of Revenues and Expenditures – Budget and Actual – Internal Service Funds ~

Schedule of Revenues and Expenditures - Budget and Actual - Capital Projects Fund ~



# Nonmajor Governmental Funds

# Special Revenue Funds

The Special Revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The individual special revenue funds are:

Storm Water Fund: To account for the operation of the environmental storm water management system, including maintenance of storm water drainage facilities. The costs of providing services on a continuing basis are partially financed or recovered through user charges to Norfolk residents and commercial and industrial customers.

Towing & Recovery Operations Fund: To improve neighborhood livability by providing reliable dispatching of towing services, storage of vehicles and recovery or disposal of vehicles.

Grants Fund: To account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds and to finance special programs that may have reporting periods that do not correspond with the City's fiscal year.

Community Development Fund: To account for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.

National Maritime Center (Nauticus) Fund: To account for the operation of the National Maritime Center and Battleship Wisconsin tours.

National Maritime Facilities Fund: To account for the operation of the National Maritime Facilities and Cruise Terminal.

Cemeteries Fund; To account for the operation of the City of Norfolk's cemeteries.

Golf Fund: To account for the operation of the City of Norfolk's golf courses.

Public Amenities Fund: To promote cultural and entertainment activity in the downtown area.

Land Acquisition Fund: To provide resources to assemble land that is in the public interest.

Emergency Operations Center/911 Fund: To account for the operation of the City of Norfolk's emergency operations center/911 (EOC 911.)



# CITY OF NORFOLK, VIRGINIA Combining Balance Sheet - Normajor Governmental Funds June 30, 2008

	_		_	_	_		tgeti	d Revenue Fu	т.		_		_	_
		Storm Water		poly		Starts		unmunity sustigment_	_	tados.		Facility	_0	meteries
ASSETS		1000								273.518		1,670,563		487,233
Cash and short term investments		1,070,482		(829,429		17,316,450 73,000		445,804	٠	273,348		1,676,965		407,230
rvestments		1,798,220		14311		12,000		1004.427		230.738		273,590		135,790
faceriables, net		40				2,818,606		Concer		200,100		212,000		
Ove from other funds		.40		0		9.061.792		- 1		- 1				- 1
Due from either governments								- 51		6				
Propaid expenses				15,500		3.084								
Deposit with contractions						3,004								
Total mosels	1	2,866,742	1	1994.431	I	29,806,006	ī	1,514,231	Ī	604,298	工	1,541,455	1	629,003
LIABUTIES														
Vaushers payable	1	107,365		57,940		1,609,574		409,292		113,385	1	30,302		77,000
Contract retainage						191,720						1.4		
Account payret		69,543		7,747		63,662		9,792		49,725		3,542		
Accrued expenses										(650)				
Oue to other funds		390				140,817		210,421		412,500		11,648		
Due to other governments						8,040,616		295,748						
Oue to component units				1.0		23,706								
Unearned revenue		219.542				*		362,976						
Other habities	_		_	28.949	_	26	_		_	33,445	_		_	108,001
Total Labilities	-	396,840	-	104,684	-	10,570,319	-	1,514,231	-	608,368	-	45,590	-	185,633
FUND BALANCES														
Reserved for														
Encumbrances		929,790		91,662		19,710,672		2,489,047		66,204		25,811		100,550
Perpetunal tana														
Capital projects		26,715						20						
Unasered.														
Underspreted .		1,405,407	_	863,065		2,115	-	(CARRORT)	_	(77,310)	_	1,873,000	_	211,34
Type fund belonces		2.471.902		954,747		19,795,687			_	(4,112)	_	1,898,903	-	417,950
Total liabilities and fund balances	1	2,868,742	1	1,058,431		29,806,006	- 1	1,514,231	1	604,296		1,346,633	1	623,003

# Nonmajor Governmental Funds (Con't.)

Tax Increment Financing Fund: To account for debt service requirements for the Section 108 Loan and property tax collections within the Broad Creek Renaissance Tax Increment Financing District.

#### Permanent Fund

The Permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. The City's permanent fund (non-expendable trust) is used to account for the perpetual care and endowed care at certain City owned cemeteries.



# CITY OF NORFOLK, VIRGINIA

Combining Balance Sheet - Nonmajor Governmental Funds

					pecial fo	-	Funda					Funds Non-			Sonmajor
	Out	1	Public inenties	Las Acqui			800/ 911		Tex		Total Special Revenue	_	Non- ispendable trust	-	Funds
1	249,895	1	2,306,430	\$ 2.40	10.04H		V		4.054,792		31,560,500		6,156,476		37,747,076
							100				72,000				72.000
			522,672				213,429				4,751,800		238,000		5,019,830
							1,007,735				6,826,381				6,606,581
			100						-		9,067,792				9,047,762
	-								-		15,500		-		15,500
											3,564				3,064
_	248,863	I	2,860,105	5.2,41	10,041	1.	1221.140	1	4,054,792	I	52,327,146	Ξ	6394,506	I	56,721,650
	17,820	1	3,000	1			37,927	1	18	ĸ	2,483,585				2,460,580
											191,739				191,721
							811,565		100		200,874				298,874
							6,652		-		5,959				5.99
							909,012				1,717,796		100		CHUW
											8,336,364				8,336,36
	0		- 5		3		-		200		23,705 #12,620				23.70
											190,447				812.63
	17,820	=	3,090		÷		(073,156	Ξ		=	14,019,078	=		=	14,019.07
	19351		26,600	,	18,000		846,724		1		24,386,367		CHUN		24,366,36 6,265,37 26,71
											46,719				26,71
	29,92		2,860,105		72,991		2301,273	_	4204792		13,884,958		101,131		13,986.08
	232 073		2,886,105		12611		100,861,6	_	4,054,792	_	38,308,068	_	5,394,506	_	44,702,57
L	249,892	1	2,889,105	1 2,41	17 611	1 4	(221,163	1	4,054,790	1	62,327,146	1	6.394,506		56,711,60

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# City of Norfolls, Yinglaka Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Normajor Governmental Funds For the Year Ended June 30, 2008

		_			mit for	erge Fords	-		_	
	Dum Water	teets		- Seets-		nurily repried	_	Nactor		ettre
MEYEWAS	D 100									
Center's properly forms	A	0.00								
Other book town				9.580						-
From and forfallures		29.		477.046						
Use of money and properly	21,672	1.851		1.498.439		754.607		1.517,296		1,188,529
Charges for secution	141,722,818	100		1,679,009		997,366		49,947		
Musfacent				1,600		-				
Encoursed coals				1,460						
intergenental control				17 885 879		191				
Commonwealth of Highins				10,000,000		6.306.7eE		268.879		4
Faderal government				10,000,047		1,500,140				
		_		\$4,177,620		5475.607	-	1,800,000		1,191,679
Total revenue	10,740,860	1,881	100	54,117,000	-	Cocon	-	- Control		
CIPCHOTURES				1005.011						
General promittents										
Julius apronunction				1,315,062						
Pupils well's				1,037,316						
Public state	8.554.461	1,00	1.009	7,979,714						
reads and public exceptions				20,000,0075		3315415		429529		100.070
Sultural and represion				714,673				Carrie		-
						4,361,300				
Controlled development Coulted author										
Capita sortina										1.004,756
					_				_	1,858,735
Topic part of the charges	8.594,651	1.67	1,666	01305,002	_	445,00		4,941,746	_	1,000,770
Eurosa (stationnes) of revenue over (under) expenditures	1.95-01	_	4.80	(4278.690)	_	_		0.96190		pers 100
STREET PROVIDED SOURCES SHEET								210729		150150
Danders in				15,765,869				1000		(11,040
Transfer out	(2.344.35)				_			2,9072		1,548,300
Take after framing sources and uses	(0.244,352			13,713,900	-	_		Even July	_	
Bel Charge in Sold Selector	(6,80		44,002	3,584,000				70,606		1,879,186
me company to a season								(76,746)		819,700
Fund Submorn-tesphology	158.00		MILMO.	3,03,010	-	-		6 18.112	1	1,090,901
			ita fel	\$ 19,731.047						

# Agency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds:

Agency Fund - Other; to account for other monles held for private organizations and other funds.

Agency Fund – Commonwealth of Virginia; to account for monies on deposit with the City Treasurer held for the Treasurer of the Commonwealth of Virginia.

# City of Norfolk, Virginia

# Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Normajor Governmental Funds For the Year Ended June 30, 2008

_		_					Special		arree Farato						Femment Funds		Tene
Ce	ments.	_	Out	_	Pushs Armelins		Land Angulation	_	600 811	_	Tax Incomment	_	Total Special Streetus		Equinitate Equi	_	Scornager Governmental Famile
		٠	100		100			,		٠	2,000,000		2390,300			,	2,910,300
					5.340,825				4,197,816				9:504,620				9,984,600
													9,540				9,540
			105,176				1,740,307				1,965		2,084,550		291,215		2,379,76
	CMERS		1,340,346						4,764				20,0~0,046		174,010		26,201,000
			35,990						1,458,251				0,000,000				6,000,000
	*										*		1,460				0.00
	9.0												NUMBER OF		1.0		17,000,07
									81,817				16,494,001				16,494,50
=	1,260,P15	Ξ	1,385,584	Ξ	CMURE	=	0.0030	-	CHEAN	Ξ	2.016,665	=	74,501,607	=	488,794	=	70,000,00
													3,095,911				3,095,51
					*								1,316,062				1,318,96
									SUPPLIED.				12,415,341				12,415,34
	*												17,400,944				17,460,04
	2138.750		0.00		-								28,918,292				26,936,29
	2,136,268		1,442,706		683,438								9,965,944				8,965,96
													4,260,520				4,292,62
							3,540,940						3,540,640				3,540,64
		_	-	_		_	-	_	- 7	_	757.686	_	1,805,442	_	1	_	1,600,44
-	3,190,350	-	1,440,756	-	862-00	-	2,000,000	-	4,775.60	-	117,000	-	E. SEC. 275	-	-	-	en.sen.in
_	97,000	-	(75,000)	-	4.004.375	-	20.50	-	0.00,40	-	URLEN	_	(7.110.44%)	-	6120	-	2,000,00
	1094706								1000				20.075.000				H-PS-PI
	-		J455,000		(8,394,750)		(1,734.000)		-		- 0		(19,196,750)		continu		(13,496,30
	1204,736	Ξ	1400,000		9.298,750	Ξ	D.234.000		150,00	Ξ	-		1,81,90		(101,540		FAMILY
	101,202		(475,004)		(4,800,375)		(I,M180)		510,00m		SHOUTH		204,600		101,076		300,00
_	200,001	_	298,737	_	Less, rec		4,000,014		2,015,000	-	120030		36,100,175		CHURC		HONOR
1	437,953	1	Chill	1	1 666, 125	1	2.482.011	3	3,166,907	7	#:05#,790	1	36.10m.10m	13	0,704,000	- 7	84 762 67

# CITY OF NORFOLK, VIRGINIA

# Exhibit G-1

#### Combining Balance Sheet - Agency Funds June 30, 2008

ASSETS	_	Other	Com	menwealth of Orginia	_	Total
Cash and short term investments	1	9.239,734	1	18,114	1	9,257,048
Receivables: Accounts, net of allowance						
for uncollectible accounts		1.045		-		1,045
Other		523,305		100000		523,305
Total assets	1	9.764,084	1	18,114	1	9,782,198
LIABILITIES						
Vouchers payable	5	26,215			3	26,215
Due to other agencies		9,737,869		18,114		9,755,981
Total liabilities	3	9,764,064	3	18,114	3	9,782,198



# CITY OF NORFOLK, VIRGINIA

Exhibit G-2

# Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2008

	_		_	Oth	41		_	
		alance y, 1,2007	A	óditions	D	eductions		alance a, 30,2008
ASSETS Cash and short form investments Accounts receivable	\$	4,996,411 784	s	18,922,716	\$	14,679,393 1,260 105,247	5	9,239,734 1,045 523,305
Other receivables Total assets	5	4,997,195	5	628,552 19,552,789	3	14,785,900	\$	9,764,084
LIABILITIES Vouchers payable	3	176,469	5	2,643,609	\$	2,793,863 18,531,500	\$	26,215 9,737,869
Due to other agencies Total liabilities	3	4,820,726 4,997,195	3	23,448,643 26,092,252	\$	21,325,363	5	9,764,084
	_		_	Commonwe	alth of	Virginia	_	
	-	Balance sty, 1,2007		Additions		Deductions		Balance ne, 30,2008
ASSETS Cash and short form investments Total assets	\$	- :	5	18,088,367 18,088,367	\$	18,070,253 18,070,253	5	18,114 18,114
LIABILITIES Due to the Commonwealth of Virginia Total liabilities	5		5	18,088,367 18,088,367	3	18,070,253 18,070,253	5	18,114 18,114
	_		_		Total		_	Balance
		Balance July, 1,2007		Additions		Deductions	_3	une, 30,2006
ASSETS Cash and short term investments Accounts receivable Other	5	4,996,411 784	5	37,011,083 1,521 628,552	\$	32,749,646 1,260 105,247	\$	9,257,848 1,045 523,305
Total assets	\$	4,997,190	5	37,641,156	5	32,856,163	5	9,782,190
LIABILITIES Vouchers payable		176,469 4,820,726	5	2,643,609 41,537,010	5	2,793,863 36,601,753	8	26,21 9,755,98
Due to other agencies Yotal liabilities	\$	4,997,195	5		1	39,395,616	3	9,782,19

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# CITY OF NORFOLK, VIRGINIA Combining Statement of Not Assets - Internal Service Funds June 30, 2008

Exhibit H-1

	Storehouse		Fleet		fotal
ASSETS					
Current assets:	1	44 1	4.354.952	1	4,394,006
Cash and short term investments		151	412 747		415,100
Receivables, ref.		277	85,400		88,400
Due from other funds	1 870		389.654		2,259,639
Invertories	1,973		5,265,783		7,159,354
Total surrent assets	1,070	-			THE PARTY NAMED IN
tronourrent asserts					
Capital assets:			415,000		415,000
Land		781	5377.548		5,411,629
Bullengs and equipment, net		281	8.792.548		5.826.829
Total noncurrent assets	1 907		11.078,301		12,985,163
Total access					
LIMBLITIES					
Current Nationals	1.00	277	619,769		564,046
Vouchers payable		1 599	206 236		275,835
Due to other funds.		1.225	203,424		227,649
Compensated absences		1.001	61.320		70,901
Accived payres		2,582	255.609		308,160
Obligations for employees' retirement.		4.234	1.252.357	-	5.456.591
Yotal ourset liabilities	20	C234	1,444,000	-	
Noncurrent liabilities		8.556	87,182		95,726
Compensated absonners			7,713		7,703
Other lung-term liabilities	-	9,550	94,685	-	103,441
Total renourent habities			1,347,242	_	1,580,032
Your labilities		2,790	1,011,012	-	
NET ASSETS					
invested in capital assets, red		14.281	5.794.949		5,815,126
of related date		10.791	2 945.214		5,607,005
Unvesticated		95.072 1	9.721.059	1	11,426,131
Total net assets	1 1,00	15,072	2,741,999	- Marin	-

# Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The individual internal service funds are:

Storchouse Fund; to acquire and issue to the operating departments materials, parts, and supplies which are used in the same form as purchased.

Fleet Management Fund; to provide the operating departments with maintenance, repair and service for the City fleet of vehicles, heavy equipment and miscellaneous machinery.



# CITY OF NORFOLK, VIRGINIA Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds For the Year Ended June 30, 2008

Exhibit H-2

		Storehouse		Fleet //anagement	_	Total
OPERATING REVENUES; Charges for services	s	3,662,192	s	12,373,868	s	16,036,060
Miscellaneous		3,002,192		115,675		115.675
Total operating revenues	=	3,662,192	=	12,489,543	=	16,151,735
OPERATING EXPENSES:						
Personal services		470.523		3,016,359		3,486,882
Cost of goods sold		2.988.656		7,106,234		10,094,890
Plant operations		14,661		237,208		251,869
Depreciation		4,311		298,195		302,506
Retirement and OPEB contributions		42,552		265,608		308,160
Provision for bad debts				15,672		15,672
Other		44,238		1,222,904		1,267,142
Total operating expenses	_	3,564,941	_	12,162,180	_	15,727,121
Operating income		97,251	_	327,363		424,614
NONOPERATING REVENUE (EXPENSES)						
Interest and investment income		2,014		157,083		159,097
Total nonoperating revenue		2,014	=	157,083		159,097
Net income before transfers		99,265		484,446		583,711
Other financing sources (uses):						
Transfers out	_	120	-	(35,000)	_	(35,000)
Change in net assets		99,265		449,446		548,711
Net assets-beginning		1,595,807		9,281,613		10,877,420
Net assets-ending	\$	1,695,072	\$	9,731,059	\$	11,426,131

# CITY OF NORFOLK, VIRGINIA Exhibit H-3 Combining Statement of Cash Flows - Internal Service Funds For the Year Ended June 30, 2008

# | CASH FLOWS FROM COPERATING ACTIVITIES: | 2,309,505 | 1,2217,199 | 1,143,171,172 | 1,143,171,172 | 1,143,171,172 | 1,143,171,172 | 1,143,171,172 | 1,143,171,172 | 1,143,171,172 | 1,143,171,172 | 1,143,171,172 | 1,143,171,172 | 1,143,171,172 | 1,143,171,172 | 1,143,171,172 | 1,143,173,172 | 1,143,173,172 | 1,143,173,173 | 1,143,173,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,143,173 | 1,

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# | CITY OF NORFOLK, VIRGINIA | Schedule 1 | February | Schedule 1 | February | Schedule 1 | February | Schedule 2 | February | Schedule 3 | February |

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



CITY OF NORFOLK, VIRGINIA Schedule of Expenditures of Federal Awards		Schedule I
For the Year Ended June 30, 2008		
Department of Education: Direct Payments:		
Department of Defense	84.010	5 404,818
School Assistance in Federally Affected Areas	84.041	4,291,958
Pass-Through Pay ments:		
Department of Education:		
Education Consolidation and Improvement Act of 1991: Adult Education	84.002	355,447
Adult Education	84.002	335,447
Educationally Deprived Children- Program's Operated by LEA's	84.010	17.806.934
School Improvement Grant	84.010	22,189
Program for Neglected Children	84.013	14,249
Chapter I:		
Evenstart Program	84.213	441,920
Title VI:		
Negligent Delinquent Children	84,010	244,372
Elementary and Secondary Education Act (ESEA):		
Title VI-8:		
Assistance to States for Education of Handicapped Children		
Transition Incentive Grant	84.027	2,361
Special Education Flow Thru (Federal)	84.027	7,045,493
Handicapped Preschool Incentive Grant	84.173	238,184
Title IV-B:		444
Vocational Education:		
Consumer and Homemaking	84.048	1,033,293
Substitute Teachers	84.048	230
9th Grade Transition	84.298	26,601
Special Projects:		
Drug Free Act	84,186	244,008
ESEA, Chapter II	84,298	107,013
McKinney Homeless Assistance Enhancing Education with Tech Phase II	84.318	247,938
Enhancing Education with Tech	04,318	257,868
21st Century Community Learning Conter	84.287	9.327
Comm Central Phase II	84.287	40,206
Reading First	84.357	871,735
Limited English	84,365	50,797
Teacher & Principal Training	84,367	1,953,042
Enhanced Reading Opportunity	84.215	974,518
Dept of Mental Health, Mental Retardation and Substance Abuse	84.181	320,801
Mental Retardation Early Intervention Department of the Navy; Oned Payments.	84,181	320,801
USS Wisconsin Grant	12,700	366,678
Department of Health and Human Services;		
Direct Payments:		
HIVIAIDS Grant	93,914	5,464,997
NPC Pool Funds	99,000	40,960
Pass-Through Pay ments:		84.481
Projects for Assistance in Transition to Homeless (PATH)	93,150	1,875
Mental Health VASIP / COSIG Youth & Family Services Grant	93,556	626,747
Temporary Assistance to Needy Families	93.558	2.845.307
Refugee and Entrant Ass istance State Administered Prog	93,566	17.988
Local-Income Home Energy Assistance	93,566	84,260
Payments to States for Child Care Assistance	93.575	4.137.775
Child Development Care	93,596	3,051,661
Independent Living Program - Education and Training	93,599	37,961
Family Preservation	93.645	24,625
Foster Care - Title IV - E	93,658	2,728,057
Adoptive Assistance	93,659	598,079
Social Services Block Grant	93.667	4,313,873
Independent Living Initiative Program	93,674	66,265 151,504
FAMIS Outreach Grants	93,767	3,054,148
Medical Assistance Program - Administrative Mental Health Federal Block Grant	93,958	144,458
Substance Abuse Federal Block Grant	93,959	1,893,002
Total	22,000	5 100,346,698

#### CITY OF NORFOLK, VIRGINIA NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. (	Greeral		
		gwands	of the City.
	The accompanying schedule of expenditures of treates awards persons are government and the The City of Norfolk single audit reporting entity includes the primary government and the	School	Seed and
	the City of Lifetitor teache soon selected con-		
	Community Services Board component units.		
	Federal awards not received through direct programs 100% are passed through the departments	and ap	moies of the
	Commonwealth of Virginia.		
	Commonwealth of Virginia.		
	Basis of Accounting		
	of defend among its assessments into the mod-	fied acc	rual basis of
	The accompanying schedule of expenditures of todars awards in pressurable. The related accounting. Expenditures are receded when the liability is incurred or measurable. The related in	evenue i	reported net
	accounting. Expenditures are received which the receivery in		
	of unexpended amounts returned to grantors.		
	Relationship to the Basic Financial Statements		
•	Federal award revenue is reported in the City's basic financial statements as follows:		
	People Sware second in reference in referenc	5	25.933.981
	Coveramental fluid		16,494,591
	Non-engagnered funds	_	42.428.572
	Total revenues from federal government.		
	Component Unit - School Board 48,650.)	66	
	Total Felical Crass Awarded		
	Divid Payments: 259.		
	Navy Junior ROTC 316,	199	
	Eyer - Universal Service Funds 145.	est.	47,678,309
	Total - Norfolk Public Schools		410014,309
			2,879,964
	Component Unit - Community Services Broad		7,159,810
	Energies - VRA Loas - WaterWater Fund	1	-
	Total federal financial amintance reported in	1	100,346,616
	basic financial statements		
	Earconciliation to Exhibit A-2.		42,428,577
	Revenues from federal government		32,400
	Shariff - Social Security		13,325
	Harricane Indielle disaster sellel secontry	-	42,464,297
	Total revenues from federal government		114.797.465
	Revenues from Commonwealth of Virginia	-	156,861,762
	Total intergretamental systems	-	Uniger
4	Relationship to Federal Financial Reports		
		d in the	federal Suppli
	Amounts reported in the accompanying schedule agree substantially with the amounts reported	ting and	the schedule i
	reports except that certain socras intercas reports are proporting described in Note 2 above expenditures of federal awards is prepared on the basis of accounting described in Note 2 above		

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -

~Special Revenue Funds~

~Internal Service Funds~

~Capital Projects Fund~

۰	Suprecipients			
	Federal funds passed through to subvecipients for the year ended June 20, 2008 were as follows:			
	Federal Cranting Agency / Grant Program / Subrecipient	Amount		
	Department of Boaring and Urban Development			
	Community Streetupment Black Grant:			
	AIDS Care Center for Education and Support Services	36,691		
	St Culumbia Ecumenical Ministries	50,569		
	Foodbank of Southeastern Virginia	35,730		
	The Planning Council	56,930		
	The Salvation Army	130,000		
	Residential Options	4,175		
	Park Place School	29,596		
	YMCA of South Hampson Roads	40,122		
	William A Hunton YMCA	37,000		
	HoneNet	75,000		
	Tidewater AIDS Community Task Force	31,900		
	Community Mediation Center	3,996		
	Excellence Girls Chili	21,074		
	Joy Ministries Evangelistic Association	20,000		
	National Institute for Learning Development			
	International Black Women's Congress	23,961		
	Urban League of Hampton Roads	21,000		
	Child and Family Services of Eastern Virginia			
	Assertive Community Taskforce Years	46,583		
	The STOP Organization	181,004		
	Barrett Haven	17,760		
	MUCA	2,554,290		
	Total Community Development Block Crant			3,518,421,05
	MRSA - Hamiltonic Assistance			
	NISSIA Total NISSIA - Homebuyer Assistance	950,600		950,600.00
	The region of the second			
	Equity Secure - Rehabilistion	101.00		
	NRHA	106,847		106,847.00
	Tutal Equity Secure - Rehabilisation			100,041.00
	Home Program, Administration	10000		
	NBHA	304,863		204,963.00
	Total Home Program Administration.			204,000.00
	CHDA Invegment			
	Beson Light Community Housing Development Organization	19,556		
	MUSA	56,661		
	Total CHDA Investment			36,317
	Total Department of Housing and Urban Development			4,856,948
	Department of Homeland Security			
	Dat Service Sines	36,056		
	City of Portamouth Total Port Security Grant	30,000		36,036
			_	
	Total Department of Humdand Security			34,854
	Department of Health and Human Services			
	Temporary Assistance for Needs Earnifein			
	Goodwill	140,791		
	KRA	2,090,758		
	Total Temporary Assistance for Needy Families			2,234,509
	Englas Corn. Tiglis 2V-S			
	Nurfish State University	367,671		
	Total Featur Care - Tide IV-E			387,971
	Parametra so Stones for Child Corp. Assistance			
	The Planning Council	542,306		
	Total Payments to Status for Child Care Assistance	742,000		947.706
	MYADS Gos.	1.000		
	EXMS - Center for Comprehenive Care Of Instrume Deficiency	1,009,614		
	Cummunity Psycological Group	116,962		
	ACCESS	588,158		
	Health and Home Support Services	190,581		
	Tidewater AIDS Community Task Force	799,922		
	Virginia Beach Department of Health.	71,487		
	Williamsburg AIDS Nerwork Total HIWAIDS Grant	50,000		2,876,716
	THE RETURNS OWN		_	450,710
	Total Department of Health and Human Services		5	6,041,411

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# CITY OF NORFOLK, VIRGINIA

Exhibit J-1

#### Schedule of Revenues and Expenditures - Budget and Actual Towing Recovery Operation's Fund For the Year Ended June 30, 2008

		Budget		Actual	0	Positive Negative) Variance
Revenues: Use of money and property Charges for services Miscellaneous Recovered costs	\$	973,260 768,240 208,000	\$	29,210 1,861,125 91,196	\$	29,210 887,865 (677,044) (206,000)
Total revenue	\$	1,947,500	\$	1,981,531	\$	34,031
Expenditures: Towing recovery Transfer out	s	1,797,500	s	1,867,333	\$	(69,833) 150,000
Total expenditures	S	1.947.500	\$	1.867.333	\$	80,167



Exhibit J-1

# CTTY OF NORFOLK, VIRGINIA Schedule of Revenues and Expenditures - Budget and Actual Storm Water Utility Fund For the Year Ended June 30, 2008

		Budget		Actual	0	Positive Negative) Variance
Revenues: Use of money and property Charges for services	s	10,000	\$	21,072 10,722,810	\$	11,072 216,710
Total revenue	\$	10,516,100	\$	10,743,882	\$	227,782
Expenditures: Storm water	\$	6,956,398 3,559,702	\$	8,451,916 2,244,352	\$	(1,495,518) 1,315,350
Transfer out		10.516.100	S	10.696,268	\$	(180,168)

CITY OF NORFOLK, VIRGINIA Schedule of Revenues and Expenditures - Budget and Actual Nauticus Fund For the Year Ended June 30, 2008

100	Ξ	Budget	Actual	()	Positive Negative) Variance
Revenues:		2.022.600			(50.1.050)
Charges for services Use of money and property	2	118.500	\$ 1,428,242	\$	(594,358)
Intergovernmental - Federal		122,328	368,878		246,550
Miscellaneous		169,000	43.947		(125,053)
Transfer in		2,437,772	2.437.772		(120,000)
Total revenue	\$	4.870,200	\$ 4,367,852	\$	(502,348)
Expenditures:					
Operations	\$	4,870,200	\$ 4,314,687	\$	555,513

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# CITY OF NORFOLK, VIRGINIA

Exhibit J-1

# Schedule of Revenues and Expenditures - Budget and Actual Maritime Facility Fund For the Year Ended June 30, 2008

		Budget	_	Actual		Negative) Variance
Revenues: Charges for services Rollover from last year Transfer in	5	1,150,969 302,500 1,544,531	\$	1,188,629 302,500 1,560,948	\$	37,660 - 16,417
Total revenue	\$	2,998,000	\$	3,052,077	5	54,077
Expenditures: Operations Debt service	\$	826,003 2,171,997	\$	562,500 1,068,756 11,648	\$	263,503 1,103,241 (11,648)
Transfer out Total expenditures	\$	2,998,000	\$	1,642,904	\$	1,355,096

CITY OF NORFOLK, VIRGINIA Schedule of Revenues and Expenditures - Budget and Actual Golf Fund For the Year Ended June 30, 2008

	_	Budget	_	Actual	0	Positive Negative) Variance
Revenues: Charges for services Rollover from last year Miscellaneous	\$	1,483,500 562,045	\$	1,240,386 562,045 125,178	\$	(243,114)
Total revenue	\$	2,045,545	\$	1,927,609	\$	(117,936)
Expenditures: Operations Transfer out	5	1,645,545	s	1,462,179	\$	183,366
Total expenditures	\$	2,045,545	\$	1,862,179	\$	183,366

Exhibit J-1

Exhibit J-1

Exhibit J-1

# CITY OF NORFOLK, VIRGINIA Schedule of Revenues and Expenditures - Budget and Actual Emergency Operations Fund (EOC 911) For the Year Ended June 30, 2008

	Budget		Actual	(N	rositive legative) ariance
Revenues: Other local taxes Fees Recovered cost Intergovernmental - federal Transfers in Rollover from Last Year	\$ 4,157,735 1,000 1,223,085 63,000 1,627,767 435,251	\$	4,157,815 1,704 1,459,284 63,617 1,627,767 435,251	S	80 704 236,199 617
Total revenue	\$ 7,507,838	S	7,745,438	5	237,600
Expenditures: Operations	\$ 7,507,838	\$	7,321,508	\$	186,330

Exhibit J-1

# CITY OF NORFOLK, VIRGINIA Schedule of Revenues and Expenditures - Budget and Actual Public Amenities Fund For the Year Ended June 30, 2008

	Budget	Actual	0	Positive Negative) /ariance
Revenues: Taxes-Hotel & Restaurant Rollover from last year	\$ 5,357,400	\$ 5,346,805 7,000,000	\$	(10,595)
Total revenue	\$ 12,357,400	\$ 12,346,805	\$	(10,595)
Expenditures: Transfer out Challenge Grants	\$ 10,877,447 500,000 979,953	\$ 9,266,750 599,000	\$	1,610,697 (99,000 979,953
All purpose Total expenditures	\$ 12,357,400	\$ 9,865,750	\$	2,491,650

CITY OF NORFOLK, VIRGINIA
Schedule of Revenues and Expenditures - Budget and Actual
Cemeteries Fund
For the Year Ended June 30, 2008

\$ 1,295,944 \$ 1,262,815 \$ (33,129 1,049,156 1,054,736 5,580 \$ 2,345,100 \$ 2,317,551 \$ (27,549		Budget		Actual	(1)	Positive legative) /ariance
	Revenues: Charges for services	\$	5		\$	
\$ 2,540,100 \$ 2,317,001 \$ (27,040)	Transfer in					
\$ 2,345,100 \$ 2,228,908 \$ 116	Transfer in Total revenue Expenditures:	\$ 2,345,100	\$	2,317,551	\$	(27

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CITY OF NORFOLK, VIRGINIA

Exhibit J-1

Exhibit J-1

Schedule of Revenues and Expenditures - Budget and Actual Tax Increment Financing Fund For the Year Ended June 30, 2008

900	Budget	Actual	Positive Negative) Variance
Revenues: Taxes-real property Use of money and property	\$ 2,550,300	\$ 2,550,300 8,665	\$ 3,665
Total revenue	\$ 2,555,300	\$ 2,558,965	\$ 3,665
Expenditures: Debt service	2.555.300	727 000	
Total expenditures	\$ 2,555,300	\$ 737,686	\$ 1,817,614

# Schedule of Revenues and Expenditures - Budget and Actual Fleet Internal Service Fund For the Year Ended June 30, 2008

	Budget	Actual	(Ne	gative) griance
Revenues: Use of money and property Charges for services	\$ 95,000 11,773,000 70,000	157,083 12,373,868 115,675	\$	62,083 600,868 45,675
Other-miscellaneous Total revenue	\$ 11,938,000	\$ 12,646,626	\$	708,626
Expenditures:	\$ 11,938,000	\$ 12,697,430	\$	(759,430)

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CITY OF NORFOLK, VA

 Budget
 Actual
 (Negative)

 \$ 587,700
 \$ 673,536
 \$ 65,836

 2,000
 2,014
 14

 \$ 589,700
 \$ 675,550
 \$ 85,836

\$ 589,700 \$ 546,340 \$ 43,360

Schedule of Revenues and Expenditures - Budget and Actual Storehouse Internal Service Fund For the Year Ended June 30, 2008

\*The difference in revenue and expenditures per this schedule compared to Exhibit H-2 represents cost of goods sold which is not included in the operating budget.

GITY OF HONFOLK, VIRIGINA Capital Improviment Program Schedule of Expenditures - Budget and Armust

	Experience				
Capital Frajeria Description	Project Budget	Prior Years *	tures	tone	Analidis
premarily Constitution's		Contact .	10110	13 131 840	29.360
	13,190,000 54,871,000	12,716,000	6.306.700	41,179,367	19,800,405
temphosphosic Commerceberoffentieflustient	11,792000	T.435.491	2,672,107	10,107,596	1,685,460
Broad Creek Rengistative Resphonissis Streets Improvements	9,793,000	4,500,366	2.244	4,832,606	395,394 1,617,594
Integration Commercial Representation	Y1.800.000	\$365.48E	218,821 290,007	9,794,606	170 994
	874,000 87,490,000	60,300,600	9.635.457	903,000 76,330,863	879,994 98,994,147
Table Community Development	BT #81,500	RUSHER	Captorio		
Jugal Facilies Albaha Theata Renovatoria	2.485.000	2479.049	2.200	2,421,300	13,706
Super Chile Repairments	2.760,000	2.796.381	1013	2,759,294	1793.00
Same of the contract of the co	11,940,000	8,851,751		4.356.430	1,206,594
Chrysler Museum Improvements	8.645.000	3.329,096	1015,506	1,300,007	296.339
Club Building Improvements	1,991,000	1340,300	2,714,607	13.186.345	49.726.854
Fourierates Carrier	81,010,000 405,000	294,515	7.094	455,559	2.691
Harrison Opera Nouse Insuranements	807,500	130,168	4.384	\$34,065	162,437
Manufact Money Ingrovements	235,000	724 808	121	254,54%	110,044
Hautout/Resire Corner Ingenoments	\$ 065,000	1,000,000	975,959	1,875,818	1,805,150
USE Visionina improvement	3,545,299		679,540	679.74E	1 340 757
Other		268,387	1,896,302 8,297,329	31.00C49	5 240,791 MLS12 179
Total Column Factores	SE OTEM	103000	E281229	HARRIST	
Expression Development	NY AND NO.	17 807 800	10 100 361	26,296,494	A.100.794
Disposition() speak Cris Tream's	+1,015,870	40.064.235	249.764	#E.312.90%	787,546
No. Ann. Chief Development	1,000,000	8,900	44,100	\$4,802	\$40,000. 1,002,000
NUMBER COMMERCE OF THE PROPERTY OF THE PROPERT	A)\$40,000		2.877.900	2,677,500.	657,804
Washing Cores Ownersprend	475,000		22,166	9.100843	3.000.304
Other	4 174,237 83 567 506	981,721 88,760,732	08716 178	73,479,900	1,065,304
Tana Boomerin Development	\$1.507.50E	88.760732	14716.04	DECLESS.	
Owner/Other	900,000	192379		752,675	660367
Conjustels Limits Cleare	17,795,000	15,505,676	596,433	14,102,409	3,694,091
Seach ErsaunCoverst	3,741,232	1.741.230	\$19,423	3,390455	8019.4231 60.339
Transfer to Data Service strate - Fragmost System Implementation	5.458.904	2,817,295	929	2,607,960	1,772,194
Wildowsky Dreitiging Projects		3,100,618	400.000	25.002.004	
Other	8 822,700 32 874,534	2796.033 20.862.048	17,600,645 TE 636,967	45301389	(NEARACETE
Total General Other	35,54,54	20.002.019	14.50	4000	
Public Buddings and Facilities	1364,670	1,360,057		CHINE	101,000
Fire District Emergency Commission Program Industrialism Improvements	3,798,505	2,407,900	95,938	2.505,518	290,962
Public Health Center - the Mail Facility	2.233.507	2,371,309	1 1	2,571,576	4.571
Datastian impree Propert	7,425.601	7,424,110	1236.007	3.987.105	230,809
Annual MacEntandenance	4,201,019	1,590,302	3,534,605	10,093,900	262.318
	10,476200		7.215/000	7,215,000	19,300
Library Facilities - Kinn Mon Branch	11,094,000		299,797	5.452.216	1,607,394
Pulca Prednot Replacement	34.579.500		823,238	1,614,806	36,960,764
Goods Removatorie	2,015,201	V.850.800		1,690,699	232,965
Juli Marraultiams Senties Arcado Manavastons			17,660	7,166,867 2,915,254	3,863,216
	4,090,000	3,219,639	355,630	1375,000	
	1.976.00	5,075,660		- arsau	1,360,000
Tow Yard Addulation	1,300,00	5 27E.004	\$1391	104,001	408.999
Fire Facilities Nagraphoneous processories	5,496,50		4.924,373	4824,573	
Pales Training Facilities	A 010 95	1 170,000		1,448,754	2 862 981
Total Public Summyr & Facilities	133,443,15	4000,00	H210,808	84364, G	46 144 801
Fadar Personal Carlotters		W 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1,152,913	10,201,201	10,545,886
	20,889,00		308,965	3,308,90	341,039
Thurstoni Restriction Carter Improvements	2,510,00		100000	1,840,071	31304
Botanial Gerbins	7,074,00	4,216.61	2 306.217	4,762,62	3,196,106
Europa Respection Center Impressioning	7.539.50		5.954,145	0,154,59	1,374,000
Spream Represent Corter Laminer's Plant Cort Course	8 549.70	9.16779	12000	6,46079	
Landarts Punt Corentrally & Navemberral Cartel	7,647.00	56 PRR,RY	399,019	109.83	
	800.00	50 858,58		700,00	9 905.541
	I,494,0			667.95	11,687
	2,010.0		5 540,566	1,456,55	5.545.41
	7.575.0	00 900,57		1,130.40	0.444339
Youn Peter Flat Ingrovements	423,0		a contract	11500	9 6360
Martin Suffer King Park. Violentalis Widosfront Edministrati	147.6	00	46,100	40.10	5/1/40
	- VOLUM				

| 108,813 | 138,823 | 138,821 | 139,821 | 139,821 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139,925 | 139, 7,305,000 1,550,000 514,000 2,812,247 4,415,000 3,000,500 190,000 500,000 500,495 4,508,890 178,683 623,156 503,796 2,774,321 1,221,202 2,774,796 1,208,502 2,954,167 1,008,502 2,954,167 1,008 4,909 5,110,600 14,202,655

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#### APPENDIX B

FORM OF LEGAL OPINION OF BOND COUNSEL

# Appendix B

# Form of Bond Counsel Opinion

Set forth below is the proposed form of the apinion of McGuireWoods LLP, Bond Counsel. It is preliminary and subject to change prior to the delivery of the Bonds.

[Letterhead of McGuireWoods LLP]

Ladies and Gentlemen:

In connection with this opinion, we have examined the Constitution of Virginia and the applicable laws of both the United States and the Commonwealth of Virginia, including without limitation the Internal Revenue Code of 1986, as amended (the "Code"), and the public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, and copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to our opinions, we have relied upon (a) representations of the City, including, without limitation, representations as to the use of proceeds of the Bonds,

Active\_B184609\_1\_Norfolk 2009 GO - Bond Counsel Opinion DOC

Mayor and Council of the City of Norfolk, Virginia May \_\_\_\_, 2009 Page 2

Page 2

(b) certifications of public officials furnished to us, and (c) certifications and representations contained in certificates of the City and others delivered at closing, without undertaking to verify them by independent investigation. In addition, without undertaking to verify the same by independent investigation, we have relied on computations provided to us by The Arbitrage (forup, Inc., the mathematical accuracy) of which was verified by them, relating to the yield on lawestments in the exerce fund established with a pertion of the proceeds of the 2009B Bonds and the yield on the 2009B Bonds. We have assumed that all signatures on documents, certificates, and instruments submitted to us as originals are submetheric, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments submitted to us as an originals are undertakened in the companies of the compan

Based on the foregoing, in our opinion, under current law:

- The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth of Virginia and constitute valid and binding general obligations of the Circ.
- 2. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.
- funds of the City are not lawfully available and appropriated for such purpose.

  3. Interest on the Bonds, including any accrued "original issue discount" properly allocable to the owners of the Bonds, is excludable from gross income for purposes of federal income texation under Section 103 of the Code and is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations. In addition, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 36 of the Code, interect on the 2009B Bonds must be included in computing adjusted current earnings. The "original issue discount" on any Bond is the excess of its stand redemption price at maturity over the initial effering price to the public at which price a substantial amount of the Bonds of the same maturity was sold. The "public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalters. We excess no opinion regarding other federal tax consequences arising with respect to the Bonds.

Mayor and Council of th City of Norfolk, Virgini May \_\_\_\_, 2009 Page 4

This opinion is given as of the date hereof, and we assume no obligation to revise or element this opinion to reflect any facts or elecumstances that may hereafter come to our stion, or any changes in law that may hereafter occur.

Very truly yours,

Mayor and Council of the City of Norfolk, Virginia May \_\_\_\_, 2009 Page 3

In delivering this opinion, we are (i) relying upon and assuming the accuracy of certifications and representations of representatives of the City as to facts material to the opinion, and (ii) assuming continuing compliance with the Covenants (as defined below) by the City, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, initiations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The City's tax certificate for the Bonds (the Tax Certificate') contains covenants (the "Covenants") under which the City has agreed to comply with such requirements. Failure by the City to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retractive to their date of issue. In the event of monocompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for federal income tax purposes retractive to the Bonds from becoming includible are gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document.

purposes of income textation by the Commonwealth of Virginia. We express no opinion regarding (i) other Virginia tox consequences raising with respect to the Bonds or (ii) any consequences arising with respect to the Bonds or (iii) any consequences arising with respect to the Bonds with respect to the Bonds and provided to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth of Virginia.

Our services as Bond Counsel have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of the Official Statement for the Bonds or any other offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

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principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and

(ii) updates of the operating data contained in the sections in the Final Official Statement "Table II-3, Key Debt Trends," "Table II-6, Raiso of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita," "Table III-7, Assessed Valuations and Estimated Actual Values of Taxable Property," "Table III-4, Tax Rates and Equalization Factors," Table III-6, Rais and Personal Property Tax Levies and Collections, "Table III-7, Ten Principal Real Property Tax Levies and Collections, "Table III-7, Ten Principal Real Property Tax Levies and Collections, "Table III-7, Ten Principal Real Property Taxpayers" and "Table III-14, Comparative Statement of Revenue and Expenditures, General Fund."

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System, described in artitles Exchange Act of 1934 Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Fiscal Year" shall mean the twelve-month period, at the end of which the fini position of the City and results of its operations for such period are determined. Currently City's Fiscal Year begins July L and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a owner or beneficial owner of an Obligation.

"Make Public" or "Made Public" has the meaning set forth in Section 4 of this Disclosure Agreement

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NRMSIR" shall mean each nationally recognized municipal securities information repository approved as such by the SEC from time to time.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" shall mean the U.S. Securities and Exchange Commission.

"SID" shall mean any state-based information depository existing from time to time in e.Commonwealth of Virginia for the purpose of receiving information concerning municipal curities and recognized as such by the SEC. the Cor

#### Appendix C

#### Form of Continuing Disclosure Agreement

#### CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the City of Norfolk, Virginai (the "City"), in connection with the issuance by the City of \$\frac{1}{2}\$ original aggregate principal amount of its General Obligation Capital Improvement Bonds. Series 2009A (the "2009A Ronds"), \$\frac{1}{2}\$ original aggregate principal amount of its General Obligation Relunding Bonds, Series 2009B (the "2009B Bonds and \$\frac{1}{2}\$ original aggregate principal amount of its General Obligation Relunding Bonds, Series 2009B Bonds and \$\frac{1}{2}\$ original aggregate principal amount of its General Obligation Rond Anticipation Note, Series 2009C (the "2009C Note" and, together with the 2009A Bonds and \$\frac{1}{2}\$ original amount of its Chenral Obligation Rond Anticipation Note, Series 2009C (the "2009C Note" and, together with the 2009A Bonds, and with other available funds, to (f) Innance the City's Capital Improvement Program, as the Council may amend it from time to time hereafter, (ii) [current refund a portion of the City's 593,250,000 General Obligation Capital Improvement and Refunding Bonds, Series 1998; (iii) advance refund a portion of the City's \$74,200,000 General Obligation Capital Improvement and Refunding Bonds, Series 2009C; (iv) fund parking projects, on an Interin basis during construction; and (v) pay the contst incurred is connection with the issuance of the Bonds. Periments to the Ordinance, the City's approved the offering and sale of the Bonds to the public pursuant to the Ordinance, the City's approved the offering and sale of the Bonds to the public pursuant to the Ordinance, the City approved the offering and sale of the Bonds to the public pursuant to an Official Statement'). The City has determined that it connection of the Bonds and, accordingly, hereby represents, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement; Representation. This Disclosure

Section 1. Purpose of the Disclosure Agreement: Representation. This Disclosure Agreement is being executed and delivered by the Clip for the benefit of the Holders (as defined below) and in order to assist the Participating Underwriters (as defined below) in complying with the Role (as defined below). The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

Section 2. <u>Definitions.</u> In addition to the definitions set forth in the Ordini which apply to any capitalized term used in this Disclosure Agreement unless otherwise del in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year of the City means the

(i) the financial statements (consisting of at least a statement of net assets, a statement of cash flows and a statement of revenues, expenses and changes in fund net assets for all governmental/enterprise funds of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided than nothing in this clause (A) will prohibit the City after the date of the final Official Statement from changing such principles so as to comply with generally accepted accounting

- Section 3. Obligations of the City. (a) The City shall complete the preparation of Annual Financial Information with respect to any Fiscal Year of the City not later than 270 after the end of such Fiscal Year.
- (b) The City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), the Annual Financial Information within 30 days after it is prepared.
- (c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), in a timely manner, notice of any of the following events that may from time to time occur with respect to the Bonds, but with respect to the items in (i) through (xi), only if material:
  - (i) principal and interest payment delinquencies;
  - (ii) non-payment related defaults:
  - (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (iv) unscheduled draws on any credit enhancement maintained with respect to the Bonds reflecting financial difficulties;
  - (v) substitution of credit or liquidity providers, or their failure to perform;
  - adverse tax opinions or events affecting the tax-exempt status of interest on the Bonds;
  - (vii) modifications to rights of Holders;
  - (viii) bond calls;
  - (ix) defeasances;
  - (x) release, substitution, or sale of property securing repayment of the Bonds;
  - (xi) rating changes; and
  - (xii) the failure of the City on or before the date required by this Disclosure Agn to provide Annual Financial Information to the persons and in the manner required by this Disclosure Agreement;

provided that nothing in this subsection (c) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(d) The City shall notify each NRMSIR (as defined below) of any change in its Fiscal r not later than the date on which it first provides any information to the NRMSIRs in the ent Fiscal Year.

Section 4. <u>Information Made Public</u>, Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to each of the following as herein required:

 (i) each NRMSIR, at its then current address, including the following NRMSIRs existing as of the date hereof:

> Bloomberg Municipal Repository 100 Business Park Drive Skillman, NJ 0975538 Phone: (609) 279-3225 http://www.bloomberg.com/markets/rates/municontacts.html Email: Municipalicomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.MuniFILNGS.com
Email: nmsin@dpedata.com

Interactive Data Pricing and Reference Data, Inc. Amn: NRMSIR

100 William Street, 15th Floor
New York, NY 10038

Phone: (21.2) 771-6999; (800) 689-8466
Fax: (21.2) 771-7390

Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Fax: (212) 438-3975
Email: nemair\_repository@isandp.com

(ii) at its then current address, the SID, if any; provided that in the case of any information Made Public under Section 3(c), such information may be provided to the Magnetic at the following address (or such other address as may at the time be in effect), in lieu of providing it to the NRMSIRs as described in clause. (i) above:

with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or other debt authorization of the City, and the sole remoley under his Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall observed to restrict the rights or remodes of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 12. Central Post Office. Any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 13. EMM<sub>A</sub>: Norwithstanding anything contained herein to the contrary, on or after July 1, 2009 (or such other date as may be announced by the SEC or the MSRB as the effective date for filing via EMMA), information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted solely to the MSRB via EMMA, as described in Securities Exchange Act of 1934 Release No. 99062. Should the SEC approve any described in Securities Exchange Act of 1934 Release No. 99062. Should the SEC approve any described in Securities Exchange Act of 1934 Release No. 199062. Should the SEC approve any additional or subsequent intermed-based electronic filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filling to such system, as described in the applicable SEC regulation or release approving such filling system.

Section 14. <u>Beneficiaries</u>, This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and Holders from time to time of the City's Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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Municipal Securities Rulemaking Board 1900 Duke Street Suite 600 Alexandria, Virginia 22314 Phone: (703) 797-6600 Fax: (703) 797-6704

Section 5. Incorporation by Reference. Any or all of the Annual Financial Information may be incorporated by reference from other documents, including official statements containing information with respect to the City, which have been filed with each of the NRMS/Rs or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Section 6. CUSIP Numbers. The City shall reference, or cause the Dissemination Agent (if different from the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the NRMSIRs, the MSRB and/or the SID pursuant to Sections 3 and 4.

Section 7. <u>Termination of Reporting Obligation</u>, The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

Section 8. <u>Dissemination Agent.</u> The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

Section 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and to the Participating Underwriters for the Bonds to the cffect that such amendment is permitted or required by the Rule.

Section 10. Additional Information, Nothing in this Disclosure Agreement shall be deemed to prevent the City from disceninating any other information, using the means of dissemination as to first in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(e), in addition to that which is enquired by this Disclosure Agreement. If the City chooses to report any information in any Annual Financial Information to that which is expected to the control of the City chooses to report any information in any Annual Financial Information to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such en event.

Section 11. <u>Default.</u> Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance

Date: May, 2009	
	CITY OF NORFOLK, VIRGINIA
	By: City Manager, City of Norfolk, Virginia
	By:
Approved as to Form and Correctness:	
Office of City Attorney City of Norfolk, Virginia	

[Signature Page to Continuing Disclosure Agreement]

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## IFORM OF BOND COUNSEL OPINION]

August \_\_\_, 2009

City of Norfolk, Virginia Norfolk, Virginia

## Reissuance of \$31,365,000 General Obligation Variable Rate Demand Bonds, Series 2007

# Ladies and Gentlemen:

We have served as Bond Counsel to the City of Norfolk, Virginia (the "City") in connection with the reissuance of its General Obligation Variable Rate Demand Bonds, Series 2007 (the "Bonds"). The Bonds were originally issued pursuant to the terms of an Indexture Trust dated as of March 1, 2007, between the City and Regions Bank, as bond trustsee (the "Irust dated as of March 1, 2007), between the City and Regions Bank, as bond trustsee (the "Irustee"), and Ordinance No. 42,565 adopted by the Council of the City or February 27, 2007. The Bonds are now being reissued pursuant to the terms of an Armended and Restated Indemure of Trust dated as of August 1, 2009 (the "Indenture"), between the City and the Trustee, and Ordinance No. 43,575 adopted by the Council of the City on August 25, 2009. Unless otherwise defined, each capitalized term used in this opinion letter shall have the meaning given it in the Indenture.

We have examined the Constitution of Virginia and the applicable laws of the Commonwealth of Virginia and the United States and such certified proceedings and other documents of the City as we deem necessary to render this opinion. As to questions of fact material to this opinion, we have relied upon the certifical proceedings and other certifications of public officials furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, we are of the opinion that, under current law

- The City is a political subdivision of the Commonwealth of Virginia.
- The City has the requisite authority and power to issue the Bonds and to enter into and perform its obligations under the Indenture and to apply the proceeds from the issuance of the Bonds as contemplated by the Indenture.
- The Bonds have been authorized and issued in accordance with the Constitution of the Commonwealth of Virginia and constitute valid and binding general obligations

# APPENDIX C Proposed Form of Opinion of Bond Counsel

City of Norfolk, Virginia August \_\_, 2009 Page 2

- 4. The Council of the City has power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and shove all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.
- The Indenture has been duly authorized, executed and delivered by the City and, subject to paragraph 6 below, constitutes valid and binding agreements of the City, enforceable against the City in accordance with its terms.
- 6. The enforceability of the obligations of the parties under the Bonds and the Indenture is subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium and similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights. The enforceability of such obligations is also subject to usual equitable principles, which may limit the specific enforcement of certain remedies but which do not affect the validity of such documents. Certain indemnity provisions may be unenforceable pursuant to court decisions invalidating such indemnity agreements on grounds of public policy.
- cours decisions invalidating such indemnity agreements on grounds of public policy.

  7. Interest on the Bonds, including any accrued "original issue discount" properly allocable to the holders of the Bonds, is excludable from gross income for federal income tax purposes, except during any period during which a Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Additionally, interest on the Bonds, is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations, and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. The "original issue discount" on any Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in this paragraph, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The City's non-arbitrage certificated afted the date hereof (the "Non-Arbitrage Certificated") contains covenants (the "Covenants") under which the City has agreed to comply with such requirements.

City of Norfolk, Virginia August \_\_, 2009 Page 3

Failure by the City to comply with its Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remodies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

The interest on the Bonds is exempt from income taxation by the Commonwealth of Virginia and any of its political subdivisions.

Our services as Bond Counset to the City have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and tax-exempt status of the interest on them and the enforceability of the Indenture. The foregoing opinions are in no respect an opinion as to the business or financial resources of the City or the ability of the City to provide for the payment of the Bonds or the accuracy or completeness of any information that anyone may have relied upon in making the decision to purchase the Bonds.

Very truly yours,

19741195.2

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# AMENDED AND RESTATED INDENTURE OF TRUST

## BETWEEN

# CITY OF NORFOLK, VIRGINIA

AND

REGIONS BANK, AS TRUSTEE

CITY OF NORFOLK, VIRGINIA GENERAL OBLIGATION VARIABLE RATE DEMAND BONDS SERIES 2007

August 1, 2009

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NOW, THEREFORE, the City and the Bond Trustee hereby covenant and agree other and with the holders, from time to time, of the Bonds as folk

# ARTICLE I

## DEFINITIONS

Section 101. Rules of Construction. Except where the context otherwise requires, (i) singular words will connote the plural number as well as the singular and vice versa, and (ii) pronouns inferring the musculine gender will include the feminine and neuter genders and vice versa. All references to particular articles or sections are references to articles or sections of this Indenture unless otherwise indicated. The headings and Table of Contents in this Indenture are solely for convenience of reference and will not constitute a part of this Indenture, nor will they affect its meaning, construction or effect.

Section 102. Definitions. In this Indenture:

"Act" means the Public Finance Act of 1991, Chapter 5.1, Title 15.1 of Code of Virginia of 1950, as amended.

"Additional Credit Facility" means any insurance policy, surety bond, letter credit or line of credit or similar agreement satisfactory to the City and the Trustee obtained provide credit support for the Variable Rate Bonds and Medium Term Rate Bonds in accordance with Section 508.

"Alternate Credit Facility" means for the purposes of this Indenture, a letter of credit, a liquidity guarantee, a standby bond purchase agreement, a municipal bond insurance policy, a surety bond, line of credit, or other similar agreement or credit enhancement satisfactory to the City, as amended, supplemented or extended from time to time.

"Alternate Liquidity Facility" means for the purposes of this Indenture, an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the Variable Rate Bonds and Medium Term Rate Bonds, as amended, supplemented or extended from time to time.

"Applicable Spread" means an amount equal to the Applicable Spread determined by the Remarketing Agent pursuant to Section 204(b)(viii).

"Authorized City Representative" means the City Manager, the Director of Finance or any person designated by either of them as an Authorized City Representative.

"Authorized Denominations" means, (1) with respect to any Series 2007 Bond bearing interest at a Daily Rate, Weekly Rate, Monthly Bate, Indexed Put Rate or Medium.Term Rate, \$100,000 or multiples of \$5,000 in excess there

#### AMENDED AND RESTATED INDENTURE OF TRUST

This AMENDED AND RESTATED INDENTURE OF TRUST (this "Indenture") is made as of August 1, 2009, between the CITY OF NORFOLK, VIRGINIA, a municipal corporation of the Commonwealth of Virginia (the "City"), and REGIONS BANK, an Alabama banking corporation, as trustee (the "Instee") and amends and restates an Indenture of Trust dated as of March 1, 2007 (the "Original Indenture"), between the City and the Trustee.

WHEREAS, on March 29, 2007, the City of Norfolk, Virginia (the "City"), issued its General Obligation Variable Rate Demand Bonds, Seriez 2007 (AMT) with an original aggregate principal amount of \$32,36,5000 (the "Bonds") to finance the acquisition, construction and equipping of an approximately 80,000 square foot cruise ship center, including docking aross and meeting space, which is located at 1 Waterside Drive, Norfolk, Virginia, and owned and operated by the City (the "Project");

WHEREAS, since the Project is used by cruise ship lines in long term contracts with the City, the Bonds were issued as exempt facility bonds for docks and whurfs pursuant to Section 142 of the Internal Revenue Code of 1986 (the "Tax Code");

WHEREAS, Sections 56 and 57 of the Tax Code provide that, in general, the interest on exempt facility bonds such as the Bonds is treated as a tax preference item for purposes of the individual and corporate federal alternative minimum tax ("AMT") and must be included in adjusted current earnings for purposes of the corporate AMT;

WHEREAS, Section 1503 of Division B of the American Recovery and Reinvestment Act of 2009 (the "ARRA") provides an exception to the general rules of Sections 56 and 57 of the Tax Code for the interest on exempt facility bonds, including certain refunding bonds, issued during calendar years 2009 and 2010.

WHEREAS, the City has determined to cause the reissuance of the Bonds to allow the interest thereon to qualify for the exception provided in Section 1503 of Division B of the ARRA, and in connection with such reissuance, has determined to amend certain provisions of the Original Indenture;

WHEREAS, the purchase price of the Bonds that are tendered but not remarketed is payable in part from advances made under a Standby Bond Purchase Agreement dated as of March 1, 2007 (the "Standby Bond Purchase Agreement") between the City and Lloyds TSB Bank plc, which has consented to the reissuance and remarketing of the Bonds and the related amendments to the Original Indenture;

WHEREAS, in connection with the reissuance of the Bonds, the City has determined to cause remarketing of the Bonds to facilitate the reissuance described above, and as of August 27 2009, Morgan Keegan & Company, Inc., the remarketing agent for the Bonds, was the holder of all of the outstanding Bonds and consented to the amendments to the Original Indenture and the execution and delivery of this Indenture.

"Available Moneys" means moneys which are continuously on deposit with the Trustee or the Paying Agent in trust for the benefit of the owners of the Bonds in a separate and segregated account in which only Available Moneys are held and which constitute (1) proceeds of the Bonds received contemporaneously with the issuance, delivery and sale of the Bonds, (2) other moneys held in any fund created under this indenture that has been continuously on deposit in trust with the Trustee or the Paying Agent for the benefit of the owners of the Bonds for a period of 123 consecutive days during and prior to which no petition in bankruptey under the U.S. Bankruptey Code has been filed by or against the City and so similar proceedings have been instituted under state insolvency or other laws affecting creditors' rights generally, (3) funds for which the Trustee has received a written opinion of counsel nationally recognized in bankruptey matters and acceptable to the Trustee to the effect that payment of such moneys to the owners of the Bonds would not constitute an avoidable perference under the U.S. Bankruptey Code or under applicable state law if the City were to become a debtor under the U.S. Bankruptey Code or under applicable state law (4) a drawing under the Credit Facility, or (5) the investment of funds qualifying as Available Moneys under the free free facility.

"Bank" means the provider of a Credit Facility or Liquidity Facility, as the case

"Bank Bond Purchase Account" means the account by that name established pursuant to Secti

pursuant to Section 402 hereunder.

"Bank Default" means any of the following: (a) there shall occur a default in the payment of any amount required to be made under the Credit Facility or Liquidity Facility, as applicable; (b) the Credit Facility or Liquidity Facility, as applicable; (b) the Credit Facility or Liquidity Facility, as applicable; (b) the Credit Facility or Liquidity Facility, as applicable; (a) and consequent of the consequence of the Credit Facility of Liquidity of the Credit Facility of the Credit Facilit

"Bond Counsel" means any firm of nationally recognized municipal bond attorneys selected by the City and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for Federal income tax

"Bond Registrar" initially means Regions Bank or any subsequent inted to serve as Bond Registrar hereunder who shall also be the Paying Ag-Registrar appointed to

"Bonds" means the City's General Obligation Variable Rate Demand Bonds,

"Business Day" means a day on which the Trustee, any Qualified Swap Provider, the Remarketing Agent, the Bank or banks or trust companies in New York, New York are not authorized or required to remain closed and on which the New York Stock Exchange is not closed.

"City" means the City of Norfolk, Virginia, a municipal corporation of the Commonwealth

"City Council" or "Council" means the City Council of the City of Norfolk, Virginia.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commercial Paper Bonds" means Bonds bearing interest at the Commercial Paper Rate.

"Commercial Paper Rate" means with respect to each Commercial Paper Bond, the interest bome by such Bond pursuant to Section 204(b)(i).

"Commercial Paper Period" means the Interest Period for any Commercial Paper Bond, then in effect, such Interest Period may not extend beyond the 15th day preceding the Credit Expiration Date or if such 15<sup>th</sup> day is not a Business Day, the immediately preceding Business Day.

"Commonwealth" means the Commonwealth of Virginia.

"Conversion" means the conversion of the interest rate on the Bonds from one interest rate mode to another interest rate mode in accordance with the provisions of this

"Conversion Date" means the Interest Payment Date which is the effective date

"Coverage Amount" means, as of any given date, an amount equal to the principal amount of Bonds Outstanding secured by the Credit Facility or the Liquidity Facility in question plus (1) during any Commercial Paper Period or Medium Term Rate Period, such number of days interest on the Bonds as may be required to maintain the ratings then in effect on the Bonds, (2) during any Daily Rate Period, Weekly Rate Period, Monthly Rate Period, and Carlot Period, Monthly Rate Period of the Maximum Rate or (3) such other number of days as will not adversely affect the rating then in effect on such Bonds. fect on such Bonds

"Credit Expiration Date" means the date which is five Business Days before the Credit Facility or Liquidity Facility, as the case may be, is to terminate or expire, including any extension of such date or voluntary termination by the City, unless provision has been made in

"Fitch" means Fitch Inc., duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Fitch" shall be deemed to refer to any other recognized municipal securities rating agency designated by the City other than Moody's or Standard and Poor's and acceptable to the Liquidity Purchaser.

"Fixed Rate" means the Fixed Rate established in accordance with Section 204(b)(iv)

"Fixed Rate Bonds" means the Bonds bearing interest at a Fixed Rate.

"Fixed Rate Conversion Date" means the effective date of a Fixed Rate accordance with Section 206.

"Fixed Rate Period" means the period during which the Bonds bear interest at the Fixed Rate, which period ends on the maturity date of the Bonds.

"Indexed Put Base Rate" means such rate as shall be determined by the Remarketing Agent pursuant to Section 204(b)(viii) hereof.

"Indexed Put Date" has the meaning given in Section 204(b)(viii) hereof.

"Indexed Put Rate" means the rate at which a Series 2007 Bond in the Indexed Put Rate Mode bears interest, as established in accordance with Section 204(b)(viii) hereof.

"Indexed Put Rate Bonds" means any Series 2007 Bonds bearing interest at an Indexed Put Rate

"Indexed Put Rate Period" means the Period determined in Section 204(b)(viii) hereof.

"Indexed Put Rate Reset Date" shall have the meaning set forth in Section 204(b)(viii).

"Interest Payment Date" means (1) for all Daily Rate Bonds, Weckly Rate Bonds, Monthly Rate Bonds, and Indexed Put Rate Bonds, the first Business Day of each calendar mouth; (2) for each Commercial Paper Bond, the Rate Adjustment Date immediately following the Commercial Paper Period for which such interest accrued; (3) for Medium Term Rate Bonds or Fixed Rate Bonds, each August 1 and February 1; (4) the date of mandatory tender under Sections 206 and 207; and (5) the maturity date of the Bonds.

"Interest Period" means (1) with respect to each Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond, or Indexed Put Rate Bond, the Daily Rate Period, Weekly Rate Period, -the-Monthly-Rate-Period or Indexed Put Rate Period, applicable thereto or (2) with respect to each Commercial Paper Bond, Medium Term Rate Bond or Fixed Rate Bond, that period beginning on an Interest Payment Date or a Conversion Date through and including the date preceding the next Interest Payment Date.

accordance with Sections 207(d) and 506 for the delivery of an Alternate Credit Facility or an Alternate Liquidity Facility, as the case may be, which does not result in the ratings then in effect on the Bonds being reduced or withdrawn.

"Credit Facility" means for the purposes of this Indenture, a letter of credit, a liquidity guarantee, a standby bond purchase agreement, a municipal bond insurance policy, a surety bond, line of credit, or other similar agreement or credit enhancement satisfactory to the City, as amended, supplemented or extended from time to time and shall also include any Alternate Credit Facility.

"Credit Provider" means the provider of the Credit Facility then in effect,

"Credit Provider Bonds" has the meaning ascribed to such term in Section 209(c) hereof.

"Credit Provider Rate" shall at any date of determination have meaning ascribed thereto in the Credit Facility or the Liquidity Facility, as the case may be, in effect on such date.

"Daily Rate" means the interest rate determined in accordance with Section 204(b)(ii).

"Daily Rate Bonds" means the Bonds bearing interest at the Daily Rate.

"Daily Rate Period" means the period beginning on the date of determination of the Daily Rate and ending on the date of determination of a new Daily Rate or the next

"Delivery Office" means the principal office of the Tender Agent or such other address as may be specified by the Tender Agent for receiving Bonds and the notices set forth in

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for a series of Bonds.

"Electronic Means" means telecopy, telegraph, telex, facsimile transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

"Favorable Opinion of Bond Counsel" mean, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Bond Counsel, to the effect that such action is permitted under the Act and this Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation.

"First Optional Redemption Date" means August 1, 2015.

"Liquidity Facility" means an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the Variable Rate Bonds and Medium Term Rate Bonds, if applicable, as amended, supplemented or extended from time to time and shall also include any Alternate Liquidity Facility.

"Liquidity Purchaser" means the provider of the Liquidity Facility then in effect.

"Maximum Interest Rate" for the purposes of this Indenture means the lesser of
(a) the maximum applicable interest rate, if any, permitted by the laws of the Commonwealth or
(b) twelve percent (12%) per annum; provided, however, that in connection with Purchased
Bonds and Credit Provider Bonds, "Maximum Interest Rate" shall mean the applicable
maximum rate, if any, permitted under the laws of the Commonwealth.

"Medium Term Rate Bonds" means the Bonds bearing interest at a Medium

"Medium Term Rate" means the interest rate determined in accordance with Section 204(b)(vi).

"Medium Term Rate Period" means the period beginning on a Conversion Date after which the Bonds will bear interest at a Medium Term Rate and ending on the next succeeding Conversion Date.

"Monthly Rate" means the interest rate determined in accordance with Section 204(b)(v)

"Monthly Rate Bonds" means the Bonds bearing interest at a Monthly Rate.

"Monthly Rate Period" means (1) the period beginning on a Conversion Date and ending on the day preceding the first Business Day of the month following such Conversion Date and (2) the period beginning on the first Business Day of a calendar month and ending on the day preceding the first Business Day of the following calendar month.

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's' shall be deemed to refer to any other recognized municipal securities rating agency designated by the City other than Fitch or Standard and Poor's and acceptable to the Liquidity Purchaser.

"Official Statement" means the Official Statement of the City dated March 22, 2007, prepared in connection with the initial offering and sale of the Bonds

"Ordinance" collectively means the Ordinance No. 42,565 adopted by the City Council of the City on February 27, 2007 and the Ordinance No. 43,575 adopted by the City Council of the City on August 25, 2009.

"Outstanding" means, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, all Bonds that have been authenticated and delivered by the Bond Registrar hereunder, except:

- (i) Bonds cancelled or delivered for cancellation at or prior to such
- (ii) Untendered Bonds to the extent that there is on deposit with the Remarketing Agent or the Tender Agent on the Purchase Date thereof an amount to pay the Purchase Price thereof as provided herein; and
- (iii) Bonds in lieu of others which have been authenticated under Section 219 or Section 222.
  - "Owner" means the bondholder of any Bonds.
- "Paying Agent" means initially Regions Bank or any subsequent Paying Agent appointed to serve as Paying Agent hereunder.
- "Purchased Bonds" shall mean Variable Rate Bonds or Medium Term Rate Bonds, if applicable, purchased by the Liquidity Purchaser for so long as such Variable Rate Bonds are subject to the Purchased Bonds Rate.

"Purchased Bonds Rate" shall, at any date of determination, have the meaning ascribed thereto in the Liquidity Facility in effect on such date. For purposes of this Indenture, the Purchased Bonds Rate shall not apply when Variable Rate Bonds or Medium Term Rate Bonds, if applicable, cease to be Purchased Bonds.

"Purchase Date" means, (1) for a Commercial Paper Bond, the Rate Adjustment
Date following the current Commercial Paper Period as set forth in Section 207(b); (2) for Daily
Rate Bonds, the Business Day as set forth in Section 207(a)(i); (3) for Weekly Rate Bonds, the
Business Day as set forth in Section 207(a)(i); (4) for Monthly Rate Bonds, the Business Day as
set forth in Section 207(a)(iii); (5) for Medium Term Rate Bonds, the Business Day as set forth
in Section 207(a)(iii); (6) for Indexed Put Rate Bonds, the Business Day as set forth
in Section 207(a)(iii); and (7) for all Bonds, any Business Day on which Bonds are subject to mandatory
purchase pursuant to Section 207(c), (d) and (e).

"Purchase Price" means an amount equal to the aggregate principal amount of Bonds tendered for purchase plus, if the Purchase Date is not an Interest Payment Date, accrued interest to the Purchase Date.

"Qualified Exchange Agreement" means any interest rate awap agreement, interest rate exchange agreement, cap or hedge, including supplements and amendments thereto, which meets the requirements set forth in the Interest Rate Swap Policy adopted by the City Council on October 20; 2003, as amended.

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and Exchange Commission, Securities Depositories shall mean such other securities depositories as the City may designate in writing to the Trustee.

"Series 2007 Bonds" means the City's General Obligation Variable Rate Demand Bonds, Series 2007 authorized by Article II of this Indenture.

"Standard and Poor's" or "S & P" means Standard & Poor's Ratings Service,
Inc., duly organized and existing under and by virtue of the laws of the State of New York, and
its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no
longer perform the function of a municipal securities rating agency, "Standard and Poor's" shall
be deemed to refer to any other recognized municipal securities rating agency designated by the
City other than Fitch or Moody's and acceptable to the Liquidity Purchaser.

"Supplemental Indenture" means any indenture supplemental to or amendatory of this Indenture as executed on the date hereof, which is duly executed and delivered in accordance with the provisions of this Indenture.

"Tender Agency Agreement" means the agreement entered into by the City with the Tender Agent pursuant to Section 401.

"Tender Agent" means the party so designated in the Tender Agency Agreement as the tender agent or any successor or successors thereto as shall be appointed pursuant to Section 401 of this Indenture.

"Trustee" shall initially mean Regions Bank or any agent selected by the City to serve as Trustee hereunder and as Tender Agent under the Tender Agency Agreement.

"Underwriter" means initial purchaser of the Series 2007 Bonds.

"Variable Rate Bonds" means the Commercial Paper Bonds, the Daily Rate Bonds, the Weekly Rate Bonds, the Monthly Rate Bonds and the Indexed Put Rate Bonds.

"Variable Rate Period" means the period during which the Bonds bear interest at the Variable Rate.

"Variable Rate" means the Commercial Paper Rate, the Daily Rate, the Weekly Rate, the Monthly Rate and the Indexed Put Rate.

"Weekly Rate" means the interest rate determined in accordance with Section 204(b)(iii).

"Weekly Rate Bonds" means the Bonds bearing interest at a Weekly Rate.

"Weekly Rate Period" means the period beginning on, and including any ... Wednesday (or, if not a Business Day, on the next succeeding Business Day) and ending on, and including the then next Tuesday (or the day immediately preceding the first day of the next Weekly Rate Period for Weekly Rate Bonds), except that (1) the first "Weekly Rate Period for the Bonds means the period beginning on the date the Bonds are issued and ending on the next

"Qualified Swap" or "Swap Agreement" means any Qualified Exchange Agreement, which has been designated in writing to the Trustee by an Authorized Officer of the City as a Qualified Swap with respect to such Variable Rate Bonds.

"Qualified Swap Provider" shall mean any counterparty, whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations, under a Qualified Swap are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or who has provided collateral such that its claims paying ability is rated (at the time the subject Qualified Swap is entered into) at least as high as required under the Interest Rate Swap Policy adopted by the City Council on October 20, 2003, as amended.

"Rate Adjustment Date" means, with respect to Commercial Paper Bonds, the first Business Day immediately following the end of the preceding Commercial Paper Period applicable to such Bond.

"Rating Agency" means Moody's, S & P or Fitch.

"Rating Confirmation Notice" means a written notice from each Rating Agency confirming that, upon the effective date of the Alternate Liquidity Facility or Alternate Credit Facility, the ratings on the Variable Rate Bonds or Medium Term Rate Bonds, if applicable, will not be lowered or withdrawn from the then current rating as a result of action proposed to be taken.

"Record Date" means (i) with respect to the Daily Rate Period, Weekly Rate Period, Monthly Rate Period and Indexed Put Rate Period, the Business Day immediately preceding the Interest Payment Date and (ii) with respect to the Medium Term Rate Period and the Fixed Rate Period, the 15th day of the immediately preceding calendar month.

"Remarketing Agent" means the initial purchaser of the Series 2007 Bonds or any successor Remarketing Agent appointed by the City and reasonably acceptable to the Liquidity Purchaser.

"Remarketing Agreement" means the agreement entered into by the City and the Remarketing Agent pursuant to Section 403 hereof.

"Remarketing Proceeds" means proceeds of the remarketing of Bonds tendered or deemed tendered for purchase under Section 207.

"Remarketing Proceeds Account" means the account by that name established pursuant to Section 402 hereunder and held by the Tender Agent.

"Sceurities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax<516) 227-4039 or 4190. Midwest Securities Trust Company, Capital Structures-Call Notification, 449 South LaSales Street, Chicago, Illinois 60605, Fax<612) 66505, Fax<6120, 6652343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex<615) 496-5058; provided, however, in accordance with then current guidelines of the Securities

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succeeding Tuesday or the day immediately preceding the first day of the next Weckly Rate Period and (2) in the event of Conversion to Weekly Rate Bonds, the first "Weekly Rate Period" means the period beginning on the Conversion Date and ending on the next succeeding Wednesday for the day immediately preceding the first day of the next Weekly Rate Period for Weekly Rate Bonds).

## ARTICLE II

# THE BONDS

Section 201. Authorization. This Indenture has been executed and delivered pursuant to the Ordinance. The City has ascertained that the execution of and the transactions contemplated by this Indenture are necessary or convenient in order to carry out the purposes of the City and exercise the powers granted by it by the Act.

Pursuant to the Ordinance, General Obligation Variable Rate Demand Bonds of the City are hereby authorized in the principal amount of not exceeding \$33,000,000 and shall be designated "City of Norfolis, Virginia General Obligation Variable Rate Demand Bonds, Series 2007." The Bonds shall be issuable only as fully registered bonds without coupons in Authorized Denominations only, and in substantially the form of Exhibits A-1 and A-2 to this Indenture, with appropriate variations, omissions, insertions, notations, legends or endorsements required by law or usage or permitted or required by this Indenture. The Bonds may be in printed or typewritten form.

Section 202. Form of Bonds; Execution of Bonds. The Bonds shall be substantially in the form set forth in Exhibits A-1 and A-2, with such appropriate variations, omissions and insertions as permitted or required by this Indenture. All of the Bonds will, from time to time, be executed on behalf of the City by, or bear the facisimile signature of, the Mayor, the City Manager, the Director of Finance and the City Treasurer and the corporate seal of the City (which may be a facisimile) will be affixed for imprinted or engaywed if a facismile) and attested by the manual or facsimile signature of the Clerk or Deputy Clerk of the Council of the City.

If any of the officers who have signed or sealed any of the Bonds or whose facsimile signature is on the Bonds cease to be an officer of the City before the Bonds so signed and sealed have been actually authenticated by the Bond Registrar or delivered by the City, the Bonds nevertheless may be authenticated, issued and delivered with the same force and effect as though the person or persons who signed or sealed the Bonds or whose facsimile signature is on the Bonds had not ceased to be an officer of the City. Any Bond may be signed and sealed on behalf of the City by those persons who, at the actual date of the execution of the Bond, are proper officers of the City, although at the date of the Bond they were not officers of the City.

## Section 203. Details of Bonds; Payment.

(a) The Bonds will initially all be dated their date of initial authentication and delivery, and Bonds executed in exchange for or on the registration or transfer of Bonds will be dated as of the Interest Payment Date preceding the day of authentication thereof, unless the date of such authentication is an Interest Payment Date to which interest on the Bonds has been paid

in full or duly provided for in accordance with the terms of this Indenture, in which case they will be dated as of such Interest Payment Date; except that if, as shown by the records of the Paying Agent, interest on the Bonds is in default, Bonds executed and delivered in exchange for or upon registration of transfer of Bonds will be dated as of the date to which interest on the Bonds has been paid in full. If no interest has been paid on the Bonds, Bonds executed and delivered in exchange for or on the registration of transfer of Bonds will be dated the date of initial authentication and delivery thereof.

- (b) Principal of and premium, if any, on the Bonds will be payable at the principal office of the Paying Agent. Payment of the principal of and premium, if any, on the Bonds will be made on the presentation and surrender of such Bonds as the same will become due and payable. Payment of the interest on each Bond will be made by the Paying Agent on each Interest Payment Date to the person appearing as the Owner thereof as of the close of business on the Record Date preceding the Interest Payment Date, by check mailed to such Owner at his/her address as it appears on the registration books maintained by the Registrar or at such other address as is furnished in writing by such Owner to the Registrar. The final maturity date of the Bonds shall be August 1, 2037.
- (c) Notwithstanding anything provided above, (1) payment of interest on the Bonds may (except as otherwise provided for Purchased Bonds), at the option of any Owner of Bonds in an aggregate principal amount of at least \$1,000,000, be transmitted by wire transfer to such Owner, on written request therefor delivered to the Registrar, to the bank account number on file with the Registrar as of the relevant Record Date, (2) principal or redemption price of and interest on each Commercial Paper Bond will be payable (by check mailed or, if presented and surrendered by 12:30 p.m. New York City time, by wire transfer) on presentation and surrender of such Bond on or after the due dates for such payments at the principal office of the Paying Agent, and (3) all payments of principal or redemption price of and interest on Purchased Bonds will be by wire transfer in immediately available funds as provided in the Liquidity Facility.
- (d) For Commercial Paper Bonds, the Trustee, the Paying Agent and the Registrar may rely on information provided to it by the Remarketing Agent as to the Owner, principal amount, current interest rate and next scheduled Purchase Date of such Bonds.
- (e) The City shall transfer to the Paying Agent amounts sufficient to pay (i) all principal and interest due on any Interest Payment Date and (ii) all principal, premium, if any, and interest due on any date fixed for redemption, pursuant to Section 302, and the Paying Agent shall deposit such amounts in an account or accounts and such amounts shall not be commingted with any other moneys of the Paying Agent or with other amounts held by the Paying Agent under this Indenture and the Paying Agent alue such amounts to pay the principal, premium, if any, and interest on the Bonds as provided under this Indenture.

#### Section 204. Interest Rate and Interest Payment Provisions.

(a) General. Upon the reissuance thereof, the Bonds will bear interest at the Weekly Rate. Each Bond will evidence the right to receive interest, at a "Variable Rate or a Medium Term Rate, determined from time to time, or at a Fixed Rate, from and including the date of such Bond until payment of the principal or redemption price thereof has been made or

established unless the last day of such Commercial Paper Period occurs before the Conversion Date.

- (ii) For Daily Rate Bonds, the interest rate for any Daily Rate Period will be the rate established by the Remarketing Agent by 11:00 a.m. New York City time on each Business Day which is equal to the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price cupal to the principal amount thereof, plus accrued interest, if any. The Daily Rate shall be effective on the day of its determination to, but not including, (a) the date of determination of a new Daily Rate of (b) the next Conversion Date. The Remarketing Agent shall determine a preliminary Daily Rate for each Business Day by no later than 10:00 a.m. New York City time on such day. The preliminary Daily Rate shall be the minimum interest rate for such day. If a day is not a Business Day, then the Daily Rate shall be the Daily Rate determined for the immediately preceding Business Day.
- (iii) For Weckly Rate Bonds, the interest rate for any Weckly Rate Period will be the rate established by the Remarketing Agent on the first day of such Weckly Rate Period which is the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any.
- (iv) For Fixed Rate Bonds, the interest rate will be an annual rate established by the Remarketing Agent on or before the Fixed Rate Conversion Date which is the minimum fixed interest rate necessary, in the best professional Judgment of the Remarketing Agent, taking into account prevailing market conditions, to enable the Remarketing Agent to sell all of the Bonds in the secondary market at a price equal to the principal amount thereof.
- (v) For Monthly Rate Bonds, the interest rate for any Monthly Rate Period will be the rate established by the Remarketing Agent on the first Business Day of such Monthly Rate Period, which is the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any.
- rate is set at a price equal to the principal amount thereof, plus accrued interest, if any.

  (vi) For Medium Term Rate Bonds, the interest rate for any Medium
  Term Rate Period will be the rate established by the Remarketing Agent on the first Business
  Day of such Medium Term Rate Period, which is the minimum rate of interest necessary, in the
  best professional judgment of the Remarketing Agent taking into account prevailing market
  conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary
  market on the date such rate is set at a price equal to the principal amount thereof, plus accrued
  interest, if any, For each Medium Term Rate Bond, each Purchase Date and the related Medium
  Term Rate Period will be established by the Remarketing Agent on or before the first day of each
  Medium Term Rate Period for such Bond as being the Purchase Date and Medium Term Rate
  Period permitted hereunder which, in the best professional judgment of the Remarketing Agent,
  taking into account prevailing market conditions, will enable the Remarketing Agent to remarket

provided for in accordance with the provisions hereof, whether at maturity, on redemption or otherwise. Interest for each Interest Period will be paid on the next succeeding Interest Payment Date and, while the Bonds pay interest at a Variable Rate, will be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed, while the Bonds pay interest at the Medium Term Rate or the Fixed Rate, computed on the basis of a year of 360 days and twelve 30-day months, provided that while any Bonds pay interest at the Credit Provider Rate, interest on such Bonds will be payable on the dates and in the amounts calculated by the Credit Provider on the basis provided in the Credit Facility as provided to the Trustee in writing, and, provided, further, that while Bonds bear interest at the Purchased Bonds Rate, interest on such Bonds will be payable on the dates and in the amounts provided in the Liquidity Facility as calculated by the Liquidity Purchaser on the basis provided in the Liquidity Facility as provided to the Trustee in writing. Interest attributable to any Bond may not accrue at a rate greater than the Maximum Rate. The Trustee will calculate the amount of interest to be paid on each Interest Payment Date and will confirm the amount in writing with the Paying Agent.

- (b) <u>Certain Interest Rates</u>. Interest rates will be determined as follows for Commercial Paper Bonds, Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds, Medium Term Rate Bonds, Indexed Put Rate Bonds and Fixed Rate Bonds.
- (A) For each Commercial Paper Bond, the interest rate will be that (i) (A) For each Commercial Paper Bond, the interest rate will be that annualized rate established by the Remarketing Agent on or before 12:30 pm., New York City time, on the first day of the related Commercial Paper Period which, from among various interest rates established from time to time by the Remarketing Agent, is the interest rate necessary, in the best professional judgment of the Remarketing Agent, taking into account prevailing market conditions, to enable such Commercial Paper Bond to be sold in a secondary market transaction on the first day of such Commercial Paper Period at a price equal to par plus accrued interest, if
- (B) For each Commercial Paper Bond, each Purchase Date and the related Commercial Paper Period will be established by the Remarketing Agent on or prior to the first day of each Commercial Paper Period for such Bond as being the Purchase Date and Commercial Paper Period permitted hereunder which, in the best professional judgment of the Remarketing Agent, taking into account prevailing market conditions, will ultimately produce the lowest overall net interest cost to the City for the Bonds until their maurity; provided that Commercial Paper Period must be from 1 to 270 days in length and may not extend beyond a Conversion Date or any date set for redemption, and the first day next succeeding each Commercial Paper Period must be a Business Day.
- (C) Notwithstanding subparagraph (B) above, (1) if a Credit Facility or Liquidity Facility is in effect and if no Additional Credit Facility or Alternate Liquidity Facility has been delivered under Section 506 or 508, as applicable, then no new Commercial Paper Period will be established for any Bond unless the Interest Payment Date for such Commercial Paper Period occurs before the Credit Expiration Date and the aggregate principal amount of the Commercial Paper Bonds Outstanding and the interest due on each Interest Payment Date during the Commercial Paper Period does not exceed the Coverage Amount, and (2) if the City has previously determined to convert the interest rate mode for the Bonds from the Commercial Paper Rate, no new Commercial Paper Period for any such Bond to be converted will be

all of the Bonds in the secondary market on the date such rate is set; provided that Medium Term Rate Period may not extend beyond a Conversion Date.

- (vii) Credit Provider Bonds will bear interest at the Credit Provider Rate. The Credit Provider will calculate the Credit Provider Rate in accordance with the Credit Facility and notify the Trustee and the Paying Agent of the Credit Provider Rate. Purchased Bonds will bear interest at the Purchased Bonds Rate. The Liquidity Purchaser will calculate the Purchased Bonds Rate in accordance with the Liquidity Facility and notify the Trustee and the Paying Agent of the Purchased Bonds Rate.
- Paying Agent of the Purchased Bonds Rate.

  (viii) For Indexed Put Rate Bonds, the Indexed Put Base Rate, the Applicable Spread, and the next Indexed Put Date for any Indexed Put Rate Period will be established by the Remarketing Agent on the date the Bonds are converted to an Indexed Put Rate and on any Indexed Put Date. The Trustee shall calculate the Indexed Put Rate each Thursday (the "Indexed Put Rate Raset Date"), which shall be equal to the Indexed Put Rate each on such day plus the Applicable Spread. Any adjustment to the Applicable Spread to be made following the occurrence and during the continuance of a Bank Default (an "Adjustment Event") shall be made and announced by the Trustee as soon as practicable following receipt by the Trustee of notice from the City or from the Remarketing Agent or any Owner of Indexed Put Rate Bonds (subject to verification by the Trustee as described below) that an Adjustment Event has transpired that gives rise to an adjustment in the Applicable Spread. If the Trustee has received notice from an Owner of an Indexed Put Rate Bond of the occurrence of an Adjustment Event. The Trustee shall independently verify the occurrence of the Adjustment Event. Any such adjustment to the Applicable Spread shall be effective immediately and shall be rectoractive to the first Thursday following the occurrence of the Adjustment Event, but shall only be applicable for so long as a Bank Default is continuing.
- The Remarketing Agent shall determine the Indexed Put Base Rate and Applicable Spread on the Conversion Date and on each Indexed Put Date and shall furnish to the Trustee and the City, no later than the Business Day next succeeding such Conversion Date or Indexed Put Date, the Indexed Put Rate by Electronic Means, promptly confirmed in writing. The Remarketing Agent shall determine the Indexed Put Rate Period, and the next Indexed Put Date on or before the day the Bonds are converted to the Indexed Put Rate and on or before each Indexed Put Date is not a Business Day, then such Indexed Put Date shall be deemed to be the next Business Day.

Any provision of this Indenture notwithstanding, the Bonds, at any given time, shall operate in only one Interest Period. References to Commercial Paper Bonds, Daily Rate Bonds, Weekly Rate Bonds, Medium Term Rate Bonds, Indenture Pur Rate Bonds or Fixed Rate Bonds shall be deemed to refer to those particular Bonds operating in the applicable Interest Period. For purposes of this Indenture, the Purchased Bonds Rate shall not apply when Variable Rate Bonds or Medium Term Rate Bonds, as applicable, cease to be Purchased Bonds.

(c) <u>Notification of Interest Rate.</u> The Remarketing Agent will promptly rriting the Trustee, the Paying Agent and the City of (i) all interest rates determined by ction 204(b)(i)(A), (ii), (iii), (iv), (v) and (vi), (ii) for Medium Term Rate Bonds and

Commercial Paper Bonds, all Interest Periods, principal amounts, Owners and Purchase Dates and (iii) for Indexed Put Rate Bonds, the Indexed Put Base Rate, the Applicable Spread, the Indexed Put Date and the Indexed Put Rate Period. Any determination of an interest rate and, in the case of Commercial Paper Bonds, determination of each Purchase Date, the next Rate Adjustment Date and the related Commercial Paper Period and for Indexed Put Rate Bonds, the determination of the Indexed Put Base Rate, the Applicable Spread, the next Indexed Put Base and the Indexed Put Rate Period is conclusive and binding on the City, the Trustee, the Paying Agent, the Remarketing Agent, the Credit Provider, the Liquidity Purchaser and the Owners.

- Section 205. Failure to Compute Interest Rates; Ineffective Interest Rates. If the Remarketing Agent no longer determines, or fails to determine, when required, an interest rate pursuant to Section 204(b)(i/(A), (ii), (iii), (iv), (v), (vi) or (viii), or if for any reason such manner of determination is held to be invalid or unenforceable by a court of faw, the interest rates for the next Interest Period will be determined by the Trustee as follows:
- (a) For Commercial Paper Bonds, if the Remarketing Agent does not determine an interest rate pursuant to Section 204(b)(i)(A) for one or more Commercial Paper Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Commercial Paper Period.
- (b) For Daily Rate Bonds, if the Remarketing Agent does not determine an est rate pursuant to Section 204(b)(ii) for one or more Daily Rate Periods, the interest rate be that interest rate borne by such Bonds during the preceding Daily Rate Period.
- (c) For Weekly Rate Bonds, if the Remarketing Agent does not determine an interest rate pursuant to Section 204(b)(iii) for one or more Weekly Rate Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Weekly Rate Period.
- (d) If the Remarketing Agent no longer establishes or fails to establish when required, a Commercial Paper Period for a Commercial Paper Bond pursuant to Section 204(b)(f)(B), such Commercial Paper Period and all succeeding Commercial Paper Periods for such Bond will be that Commercial Paper Period which results in each succeeding Purchase Date for such Bond being the next Business Day until such time as the Remarketing Agent again establishes a Commercial Paper Period for such Bond.
- (e) For Monthly Rate Bonds, if the Remarketing Agent does not determine an interest rate pursuant to Section 204(b)(v) for one or more Monthly Rate Periods, the interest rate fill be that interest rate borne by such Bonds during the preceding Monthly Rate Period.
- (f) For Medium Term Rate Bonds, if the Remarketing Agent does not determine an interest rate or Medium Term Rate Period, pursuant to Section 204(b)(vi) for one or more subsequent Medium Term Rate Periods, the interest rate and the duration of such Medium Term Rate Period will be that interest rate borne by such Bonds during the preceding Medium Term Rate Period.
- (g) For Indexed Put Rate Bonds, if the Remarketing Agent does not determine the Indexed Put Base Rate and the Applicable Spread pursuant to Section 204(b)(viii) for one or

and intended method by which the interest rate will be determined and the procedure, which may include the furnishing of a telephone number which Owners can call, for informing such Owners whether the conditions for Conversion have been met and, if so, the applicable interest rate, and if not, that a Conversion to such interest rate mode will not be effective; (D) the intended interest Payment Dates and the Purchase Dates, if any, after the Conversion Date; (E) that, for a Conversion to Fixed Rate Bonds, the Bonds will no longer be subject to purchase on demand by the Owner thereof; (F) if applicable, that the Credit Facility, Liquidity Facility, or both, will no longer be in effect after the Conversion Date; (G) that every Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) must be delivered to the Trustee (and its designated office) not later than the Conversion Date is not as Business Day and, in the absence of such delivery, will be deemed to Conversion Date is not a Business Day and, in the absence of such delivery, will be deemed to Anave been delivered and purchased; (H) the ratings to be in effect on the Conversion Date; (I) that very Outstanding Bond will be purchased by the Trustee on the Purchase Date; (I) that every Outstanding Bond will be purchased by the Trustee on the Purchase Date; (I) that the Owners will not have the right to retain any Bonds after such Conversion Date. and intended method by which the interest rate will be determined and the procedure, which may

- (ii) A copy of the notice of Conversion given to the Owners by the Trustee will also be given by the Trustee by Electronic Means to the City, the Bank and each Rating Agency then rating the Bonds.
- (d) Notwithstanding any other provision in this Indenture to the contrary, no conversion of the Interest Period shall occur if the City, not later than 10.00 a.m., New York City time, on the Business Day immediately preceding the applicable Conversion Day, direct the Remarketing Agent not to change the Interest Period by written notice, this copy to the Trustee, the Paying Agent, and the Bank. If a proposed conversion of the Interest Period is cancelled pursuant to this subsection, all of the outstanding Bonds shall novertheless be tendered for purchase on the proposed Conversion Date and shall be purchased on the proposed Conversion Date. The Bonds shall continue to bear interest at the interest rate in effect prior to such Conversion Date. and in the case of Commercial Paper Bonds, Medium Term Rate Bonds and Indexed Put Rate Bonds, the Commercial Paper Periods, the Medium Term Rate Periods and the Indexed Put Rate Period, as applicable, shall be determined as set forth in Section 205 hereof.

more Indexed Put Rate Periods, the Index Base Rate and the Applicable Spread will be the same as the Indexed Put Base Rate and Applicable Spread for the preceding Indexed Put Rate Period.

If the Remarketing Agent fails to specify the Indexed Put Rate Period, such Indexed Put Bate Period shall be a period commencing on the applicable Conversion Date or the Indexed Put Bate, and the Thursday of each calendar week, and extending to and including the next succeeding Wednesday; and if the Remarketing Agent fails to specify the Indexed Put Date, the Indexed Put Date shall refer to the Semiannual Indexed Put Date. The "Semiannual Indexed Put Date." Put Date" shall be the date that is six months after the Conversion Date on which the Bonds are converted to an Indexed Put Rate or the Indexed Put Date, as applicable, and thereafter the dates Put Date is not a Business Day, then such Indexed Put Date shall be deemed to be the next ness Day

#### Section 206. Conversion of Interest Rate; Revocation of Conversion

- (a) The interest rate on the Bonds is subject to Conversion to another interest rate mode, except from a Fixed Rale to another interest rate mode, in whole and not in part, at the option of the City, by mailing a notice thereof to the Trustee, the Credit Provider, Liquidity Purchaser, the Paying Agent and the Remarketing Agent at least 30 days before the Conversion Date and, if the Conversion is from the Commercial Paper Rate to another mode, subject to the limitations set forth at the end of this subsection (a), accompanied by a preliminary written opinion of Bond Counsel stating that such Conversion is authorized and in accordance with this Indenture and will not adversely affect the exclusion of the interest on any of the Bonds from the gross income of the recipient thereof for federal income tax purposes. On the Conversion Date as a necessary condition to such Conversion, the City must deliver to the Trustee an opinion of Bond Counsel stating of the Conversion Date. As a necessary condition to such Conversion, the City must deliver to the Trustee and safe to which the Bonds are subject to optional redemption under Section 302(a), (2) life the Conversion Date is a date on which the Bonds are subject to optional redemption under Section 302(a), (2) life the Conversion Date is not a Business Day then the Conversion and cour on the next Business Day, (3) except for conversion to a Fixed Rate, if the Cruder Estellity or Liquidity Facility, as applicable, is in the applicable Coverage Amount and (4) for a Conversion to the Commercial Paper Pare, if the Cruder Estellity or Liquidity Facility, as applicable, is in the applicable Coverage Amount and (4) for a Conversion to the Commercial Paper Rate, if the Cruder Estellity or Liquidity Facility, as applicable, is in the applicable Coverage Amount and (4) for a Conversion to the Commercial Paper Period in effect when the notice of Conversion in given and for longest Commercial Paper Period in effect when the notice of Conversion is given and for longest Commercial Pa
- (b) If the conditions to a Conversion referred to in subsection (a) of this Section are not satisfied on the Conversion Date, the proposed Conversion will not take place and interest on the Bonds will remain in the same interest rate mode.
- (c) (i) The Trustee will give notice by first class mail to the Owners not less than 25 days before the Conversion Date. Such notice will state (A) that such Bonds are being converted, as set forth in the notice from the City; (B) the Conversion Date; (C) the date

## Section 207. Optional Demand Purchase; Mandatory Purchase

- (a) Optional Demand Purchase for Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds and Medium Term Rate Bonds.
- (i) Any Daily Rate Bond will be purchased, on the demand of the Owner thereof, on any Business Day designated by the Owner thereof (a "Purchase Date"). Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustee (at its designated office) not later than 10:00 a.m., New York City time, on the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Daily Rate Bond to be purchased, (B) state the Purchase Date on which such Daily Rate Bond will be purchased pursuant to this subsection, and (C) irrevocably request such purchase.
- (ii) Any Weekly Rate Bond will be purchased, on the demand of the Owner thereof, on any Business Day designated by the Owner thereof (a "Purchase Date") which is not least than seven days after the date notice of such demand is delivered in writing to the Trustee. Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustee (at its designated office) not later than the seventh day before the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Weekly Rate Bond to be purchased. (B) state the Purchase Date on which such Weekly Rate Bond will be purchased pursuant to this subspection, and (C) invacable venuest such runches. subsection, and (C) irrevocably request such purchase.
- (iii) Any Monthly Rate Bond will be purchased, on the demand of the Owner thereof, on any Business Day designated by the Owner thereof (a "Purchase Date") which is not less than seven days after the date of such demand is delivered in writing to the Trustee. Any such purchase will be at the Purchase Pice. To effect such purchase, the notice must be in writing and be delivered to the Trustee (at its designated office) not later than the seventh day before the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Monthly Rate Bond to be purchased, (B) state the Purchase Date on which such Monthly Rate Bond will be purchased pursuant to this subsection, and (C) irrevocably request such purchase.
- (iv) Any Medium Term Rate Bond will be purchased, on the demand of the Owner thereof, on the last Interest Payment Date in the Medium Term Rate Period therefor (a "Purchase Date") which demand shall not be less than 14 days prior to such Purchase Date. Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustee (at its designated office) not later than the 14th days before the Purchase Date and shall (A) state the number and principal amount (for portion thereof in an Authorized Denomination) of such Medium Term Rate Bond to be purchased, (B) state the Purchase Date on which such Medium Term Rate Bond will be purchased, and (C) irrevocably request such purchase. The Remarketing Agent will give notice by first class mail to Owners not more than 45 days nor less than 35 days before a Purchase Date for Medium Term Rate Bonds, which notice shall state (A) what the next Purchase Date for Medium Term Rate Bonds, which notice shall state (A) what the next Purchase Date (G) where and when the proposed rate after the next Purchase Date may be obtained and (C) that

the Medium Term Rate Bonds are subject to tender of the Owner thereof as set forth in the

- (v) The Trustee will promptly provide the Remarketing Agent and the Paying Agent with telephonic notice of the receipt of the notice referred to in the preceding paragraphs, confirmed in writing or by facsimile.
- (vi) Any Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond or Medium Term Rate Bond with regard to which demand is made as set forth in this subsection will be deemed to have been tendered for purchase on any Purchase Date with respect thereto.
  - (vii) The Indexed Put Rate Bonds are not subject to optional demand for

Delivery of such Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond of Medium Term Rate Bond (with an appropriate transfer of registration executed in form satisfactory to Trustee) at the designated office of Trustee at or prior to 10:00 a.m. (New York City time) on the Purchase Price due will be required for payment by the Tender Agent in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except on surrender of such Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds or Medium Term Rate Bonds as set forth herein.

(b) Mandatory Purchase of Commercial Paper. Bonds. Each Commercial Paper Bond will be purchased, or deemed purchased, on the Rate Adjustment Date following the then current Commercial Paper Period relating to such Commercial Paper Bond (a "Purchase Date") at the bushess Price. then current Commercial Par Date") at the Purchase Price.

All Commercial Paper Bonds will be deemed to have been tendered for purchase on each Rate Adjustment Date with respect thereto. Delivery of such Commercial Paper Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) at the designated office of the Trustee at or prior to 10,000 am., New York City time, on the Rate Adjustment Date will be required for payment in same-day funds of the Purchase Price due on such Rate Adjustment Date. No Owner will be entitled to payment of the Purchase Price due on such Rate Adjustment Date except on surrender of such Commercial Paper Bonds as set forth herein. If, however, an Owner of Commercial Paper Bonds purchases such Bonds for successive Commercial Paper Periods, the Owner, on presentation of the Bonds as described herein, will receive interest and a new Commercial Paper Bond or Bonds for the next Commercial Paper Period with no exchange of each in payment of the principal thereof except to the extent the principal amount purchased differs from the amount surrendered.

(c) <u>Mandatory Purchase on Conversion Dates</u>. On any Conversion Date with spect to any Bonds whether or not a Conversion occurs (or in each case the next Business Day, not a Business Day) (a "Purchase Date"), such Bonds must be delivered to the Trustee for inchase (with all necessary\_endorsements) at the Purchase Price.

All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration

has occurred and is continuing or from the Liquidity Purchaser that an event of default under the Liquidity Facility has occurred and is continuing, and in either case, and directing the Trustee to call the Bonds for mandatory tender under this Section 207(e), then the Trustee shall set the mandatory tender date to occur no later than the fifth calendar day following the date the Trustee receives such notice of an event of default under the Credit Facility or Liquidity Facility and the Trustee shall send notice to all Owners of the Bonds that the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price on the date set forth in said notice. After such notice is given, the Bonds will be subject to mandatory tender for purchase at the Purchase Price on the date set forth in the Notice (a "Purchase Date").

All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in blank in form satisfactory to the Trustee) at the designated office of the Trustee at or prior to 10:00 a.m., New York City time, on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as set forth herein. Purchase of all Bonds by the Trustee purchased under this Section 207(e) will be affected only with funds described in Sections 208(b), (e) and (d).

be affected only with funds described in Sections 208(b), (c) and (d).

(f) Mandatory Purchase of Indexed Put Rate Bonds. Each Indexed Put Rate Bond will be purchased, or deemed purchased, on the Indexed Put Date (a "Purchase Date") at the Purchase Price. All Indexed Put Rate Bonds will be deemed to have been tendered for purchase on each Indexed Put Date with respect thereto. Delivery of such Indexed Put Rate Bond (with an appropriate transfer of registration exceuted in form satisfactory to the Trustee) at the designated office of the Trustee at or prior to 10:00 a.m., New York City time, on the Indexed Put Date will be required for payment in same-day funds of the Purchase Price due on such Indexed Put Date. No Owner will be entitled to payment of the Purchase Price due on such Indexed Put Date. No Owner will be entitled to payment of the Purchase Price due on such Indexed Put Date except on surrender of such Indexed Put Rate Bonds as set forth herein. If Nowever, an Owner of Indexed Put Rate Bonds purchases such Bonds for successive Indexed Put Rate Periods, the Owner, on presentation of the Bonds as described herein, will receive interest and a new Indexed Put Rate Bond or Bonds for the next Indexed Put Rate Period with no exchange of each in payment of the principal thereof except to the extent the principal amount purchased differs from the amount surrendered.

Section 208. Source of Funds for Purchase of Bonds. Except as provided in Section 207(d) and (e), on the date on which Bonds are delivered or deemed delivered for purchase pursuant to Section 207, the Tender Agent will purchase such Bonds from the Owners thereof at the Purchase Price. Funds for the payment of such Purchase Price will be derived solely from the following sources in the order of priority indicated and neither the City, the Paying Agent, the Trustee, the Tender Agent, nor the Remarketing Agent will be obligated to provide funds from any other source:

# Remarketing Proceeds:

executed in form satisfactory to the Trustee) at the designated office of the Trustee at or before 10:00 a.m., New York City time, on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Nowner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as set forth

(d) Mandatory Purchase on Credit Expiration Date. If a Credit Facility or Liquidity Facility is in effect, the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price no later than the Credit Expiration Date if the Trustee Bas not received evidence satisfactory to it by the 25th and preceding the Credit Expiration Date of either an extension of the then existing Credit Facility or Liquidity Facility or the issuance of an Additional Credit Facility or Alternate Liquidity Facility as the case may be, meeting the requirements of this Indenture. The Trustee shall cause the Bonds to be purchased solely from the sources described in Section 208; however, any draws under the Credit Facility or Liquidity Facility and not the Additional Credit Facility or Alternate Liquidity Facility or Liquidity Facility or Alternate Liquidity Facility or Liquidity Facility or Alternate Liquidity Facility or Liquidity Facility or Alternate Liquidity Facility.

The Trustee will give notice 20 days prior to the expiration of the Credit Facility or Liquidity Facility to all Owners that the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price on the date set forth in said notice. After such notice is given, the Bonds will thereafter be subject to mandatory tender for purchase at the Purchase Price on the date set forth in the notice (a "Purchase Date").

All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in forem satisfactory to the Trustee) at the designated office of the Trustee at or prior to 10:00 a.m., New York City time, on the Purchase Date will be required for payment in same-day finds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as set forth herein. Purchase of all Bonds by the Trustee purchased under this Section 207(d) will be effected only with funds described in Sections 208(b), (c) and (d).

For purposes of the mandatory purchase contemplated by this Section 207(d), 
"Credit Expiration Date" will be deemed to include the effective date of any Additional Credit 
Facility or Alternate Liquidity Facility obtained by the City in connection with the Bonds. 
Additionally, for purposes of the mandatory purchase of this Section 207(d), "Credit Expiration 
Date" will be deemed to include the date which is 5 Business Days prior to the effective date of 
an Alternate Liquidity Facility for which the City has not received written evidence from the 
Rating Agencies then rating the Series 2007 Bonds that the then existing ratings on the Series 
2007 Bonds will not change as a result of such abstitution; provided, however, the Trustee shall 
provide written notice to the Series 2007 Bond Owners as soon as practicable of such 
substitution regardless of whether or not the then existing ratings on the Series 2007 Bonds will 
change as a result of such substitution.

(e) Mandatory Purchase on Notice of Event of Default under the Credit Facility or Liquidity Facility. If a Credit Facility or Liquidity Facility is in effect and the Trustee receives written notice from the Credit Provider that an event of default under the Credit Facility

- (c) other Available Moneys held by the Paying Agent or the Trustee and available for such purpose; and
- (d) to the extent that the foregoing are insufficient, moneys provided by the

If funds from the source described in subsection (a) above are not sufficient to provide for the Purchase Price of all Bonds delivered or deemed delivered pursuant Section 207, the Trustee will, no later than 10:30 a.m. New York City time on each Purcha Date, draw on the Credit Facility or Liquidity Facility, as applicable, in accordance with terms thereof to purchase the Bonds delivered or deemed delivered for purchase to ensure time payment of the Purchase Pites of the Bonds on the Purchase Pites or the Purchase Pites or the Bonds on ed delivered pursuant to

Section 209. Delivery of Bonds; Delivery of Proceeds of Sale; Payments From Credit Pacility or Liquidity Facility.

- (a) Bonds purchased with funds described in Section 208(a) will be registered in the name of and delivered to the purchasers thereof.
- (b) Bonds purchased with funds described in Section 208(c) or (d) will be the name of the City and delivered as directed by the City, as appropriate.
- (c) Bonds purchased with funds described in Section 208(b) which were derived from a drawing under the Credit Facility will be registered and direction of the Credit Provider and will constitute Credit Provider Bonds. red and delivered to or at the
- (d) Bonds purchased with the funds described in Section 208(b) which were derived from a drawing under the Liquidity Facility will be registered and delivered to or at the direction of the Liquidity Purchaser and will constitute Purchased Bonds.

Section 210. Bonds Deemed Tendered for Purchase. If Bonds have been deemed to have been delivered for purchase as provided in Section 207, the authenticating agent will authenticate (and the City execute, if necessary) a new Bond. The Trustee will promptly give notice by first class mail to each registered Owner whose Bonds are deemed to have been purchased pursuant to Section 207, which notice will state that interest on such Bonds cessed to accuse on the applicable Purchase Date and that moneys representing the Purchase Price of such Bonds are available against delivery thereof at the designated office of the Trustee. The Tender Agent will hold moneys for the purchase of Bonds in trust and uninvested, without liability for interest thereon, for the benefit of the former Owner of the Bond on such Purchase Date, who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his part under this Indenture or on, or with respect to, such Bond.

## Section 211. Remarketing of Bonds.

(a) Subject to the provisions of Section 211(e), the Remarketing Agent will use its best efforts to remarket Bonds to be purchased on a Purchase Date pursuant to Section 207; provided, however, that with respect to any Bonds which have been called for redemption, such Bonds must be accompanied by a copy of the notice of redemption and will

<sup>(</sup>b) proceeds derived from a drawing under the Credit Facility, if the Credit Facility provides for such a drawing, or proceeds derived from a drawing under the Liquidity

only be remarketed to a purchaser who acknowledges that such Bonds have been called for redemption and will be redeemed on the date stated in the notice. All such sales will be at a price equal to the principal amount thereof plus accrued interest thereon, if any.

- price equal to the principal amount thereof plus accrued interest thereon, if any.

  (b) On each Purchase Date, the Remarketing Agent will give notice to the Trustee, the City, the Paying Agent, the Liquidity Purchaser and the Credit Provider (i) by telephone, to be fore 10:15 a.m., New York City time, for Weekly Rate Bonds, Monthly Rate Bonds and Medium Term Rate Bonds, followed by telecopy or telex, of the aggregate amount of Bonds to be purchased pursuant to Section 207 that have not been successfully remarketed by the Remarketing Agent, (ii) by telephone at or before 10:15 a.m., New York City time, for Commercial Paper Bonds and Daily Rate Bonds, of the Owner, principal amount, the current rate and next scheduled Purchase Date of each Daily Rate Bond and Commercial Paper Bond successfully remarketed (iii) by telephone at or before 10:15 a.m., New York City time, for Medium Term Rate Bonds, of the Owner, principal amount, the current rate and next scheduled Purchase Date of the Medium Term Rate Bonds and (iv) by telephone at or before 10:15 a.m., New York City time, for Indexed Put Base Rate, the Applicable Spread and the next Indexed Put Date. The Trustee will then flows on the Credit Facility or Liquidity Facility, as applicable, under Section 208 to pay the Purchase Price of the Bonds for which the Remarketing Agent does not have Remarketing Proceeds on hand.
- (c) At or before 1:30 p.m., New York City time, on each Purchase Date, the Remarketing Agent will remit to the Tender Agent the Remarketing Proceeds of Bonds that have been remarketed, and such amounts will be immediately deposited in the Remarketing Proceeds
- (d) If the Paying Agent does not receive notice from the Remarketing Agent by 10:15 a.m., New York City time, on the applicable Purchase Date, of the aggregate amount of Bonds to be purchased pursuant to Section 207 that have not been successfully remarketed by the Remarketing Agent, the Paying Agent shall immediately notify the Trustee and the Trustee shall draw on the Credit Facility or Liquidity Facility, as applicable, for the full Purchase Price the Bonds tendered for purchase on such Purchase Date.
- (c) Notwithstanding anything to the contrary herein provided, the Bonds may be remarketed only when (1) a Credit Facility or Liquidity Facility, as applicable, providing for the payment of the Purchase Price of the Bonds in the applicable Coverage Amount will be in effect following the remarketing of such Bonds or (2) the Bonds will be converted to a Fixed Rate or Medium Term Rate and such Bonds will be rated Investment Grade by any Rating Agency rating such Bonds immediately following such remarketing.
- (f) At least 30 days prior to the Conversion Date or Indexed Put Date, the City shall furnish a written direction to the Trustee, the Tender Agent, the Remarketing Agent, and the Credit Provider or Liquidity Purchaser, as applicable, electing whether the Indexed Put Rate Bonds with be converted to a new Indexed Put Rate Period or to a different Interest Period, which shall be accompanied by an Opinion of Bond Counsel to the effect that such conversion will not have a materially advance effect on the tax-exempt status of the Bonds. Such direction shall be made by registered or certified mail, or by telecopy confirmed by registered or certified

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have been received by the securities depository for the account of the Trustee (for the benefit of the Credit Provider or the Liquidity Purchaser) or (ii) if the book-entry system is not in effect, because Credit Provider Bonds or Purchased Bonds have been remarketed and the proceeds of such remarketing have been received by the Trustee (for the benefit of the Credit Provider or the Liquidity Purchaser). The Trustee shall promptly give the Credit Provider or the Liquidity Purchaser, as account (for the benefit of the Credit Provider or the Liquidity Purchaser, as applicable) by the secount (for the benefit of the Credit Provider or the Liquidity Purchaser, as applicable) by the secounties depository in the case of clause (B)(ii) or have been received by it in the case of clause (B)(ii), and in each case will be sent to the Credit Provider or the Liquidity Purchaser's written wire instructions. If Credit Provider Bonds or Purchased Bonds have been received wire transfer upon receipt of and in accordance with the Credit Provider's or the Liquidity Purchaser's written wire instructions. If Credit Provider Bonds or Purchased Bonds have been released pursuant to clause (B) above, (i) while the book-entry system is in effect, the Trustee shall register such Bonds in accordance with the instructions of the Remarketing (A) above, (i) while the book-entry system is not in effect, the Trustee shall register such Bonds in accordance with the instructions of the Remarketing (A) above, (i) while the book-entry system is in effect, the Trustee shall instruct the securities depository to transfer any such Bonds to the account of a Participant designated by the City, or (ii) if the book-entry system is in effect, the Trustee shall register such Bonds in the Credit Provider Bonds to the Care of the Bonds or Purchased Bonds have been released pursuant to clause (B) which the book-entry system is in effect, the Trustee shall register such Bonds to the City or its designee.

If the Remarketing Agent remarkets any Credit Provider B

entry system is not in effect, the Trustee shall register such Bonds to the City or its designee.

If the Remarketing Agent remarkets any Credit Provider Bond or Purchased Bond, the Remarketing Agent shall direct the purchaser of such Credit Provider Bond or Purchased Bond to transfer, by 9:30 a.m., New York City time, on the purchase date, the Purchase Price of such remarketed Credit Provider Bond or Purchased Bond to transfer, by 9:30 a.m. New York City time, on the purchase date, the Purchase Price of such Purchase Account, to be disbursed from such account solely for the purposes described in this paragraph. The Trustee shall immediately notify the Credit Provider to Liquidity Purchaser of the receipt of the Purchase Price of such Credit Provider not Purchased Bond, and upon the receipt of the Credit Provider and Purchase Bond, and upon the receipt of the Credit Provider or Liquidity Purchaser in immediately available funds of all amounts due under the Credit Facility or Liquidity Facility as the case may be, will be subject to reinstatement by the amount drawn under the Credit Facility or Liquidity Facility as the case may be, will be subject to reinstatement by the amount drawn under the Credit Facility or Liquidity Facility as the Credit Facility or Liquidity Facility or

Notwithstanding anything to the contrary in this subsection, if and for so long as the Bonds are held in book-entry form, the registration requirements for Credit Provider Bonds or Purchased Bonds under this subsection shall be deemed satisfied if Credit Provider Bonds or Purchased Bonds are (A) registered in the name of the securities depository—orts—nominee. B) B credited on the books of the securities depository to the account of (i) the Credit Provider or Liquidity Purchaser (or their designee) or (ii) the Trustee (or its nominee) and further credited on

mail. As soon as the City has made the above election and at least two (2) Business Days prior to the Conversion Date or Indexed Put Date, the Remarketing Agent shall offer for sale and use its best efforts to sell such Bonds at the minimum interest rate which would enable the Remarketing Agent to sell all of such Bonds at a price (without regard to accrued interest) equal to the principal amount thereof. The Remarketing Agent shall promptly notify the Trustee, the City, the Credit Provider or Liquidity Purchaster, as applicable, of the interest rate so determined for the Bonds. The Remarketing Agent may adjust the Indexed Put Base Rate and/or the Applicable Spread, which may be added to or subtracted from the Indexed Put Base Rate, and will promptly notify the Trustee, and the City of any such adjustment. Such adjustment will take effect on the Conversion Date or the Indexed Put Date, as applicable.

Section 212. Limits of Remarketing. Bonds purchased by the Tender Agent pursuant to Section 207 from the date of notice of a Conversion is given through the Conversion Date will not be remarketed except to a buyer who acknowledges at the time of such purchase that the Bond is subject to repurchase pursuant to Section 207 on the Conversion Date. The interest rate on any Commercial Paper Bond not remarketed pending Conversion will be determined to have societies Commercial Paper Periods, each one day in duration, until Conversion. The Remarketing Agent will not remarket (i) Bonds owned by or on behalf of the City and (ii) Credit Provider Bonds or Purchased Bonds, as the case may be, unless the Trustee has received written notice of reinstatement of the Credit Facility or the Liquidity Facility, as the case may be, to the Coverage Amount. The foregoing notwithstanding, it shall not be necessary for the Trustee to receive written notice of reinstatement of the Credit Facility or the Liquidity Facility, as the case may be, to the Coverage Amount if the Credit Facility or the Liquidity Facility, as the case may be, by its terms automatically reinstates to the Coverage Amount without written notice.

be, by its terms automatically reinstates to the Coverage Amount without written notice.

Section 213. Credit Provider Bonds and Purchased Bonds. Bonds purchased with proceeds of a drawing on the Credit Facility to purchase Bonds that have been tendered but not remarketed shall constitute "Credit Provider Bonds." Bonds purchased with proceeds of a drawing on the Liquidity Facility to purchase Bonds that have been tendered but not remarketed shall constitute "Purchased Bonds." Credit Provider Bonds and Purchased Bonds shall be held by the Tender Agent as fiduciary for the Credit Provider Bonds on the bond register or, if the Bonds are held in the book-entry system, such Credit Provider Bonds or Purchased Bonds hall be thought by the Tender that the provider and Liquidity Purchased Bonds shall be recorded in the book of the securities depository for the account of the Trustee, as custodian for the Credit Provider and Liquidity Purchaser, as applicable) in accordance with the provisions of this Indenture and any reimbursement agreement. The Remarketing Agent shall continue to use its best efforts to arrange for the sale of any Credit Provider Bonds or Purchased Bonds, subject to full preinstatement of the amount available to be drawn under the Credit Pacility or Liquidity Facility, as applicable, with respect to such Bonds.

The Credit Provider's and Liquidity Purchaser's security interest in Credit Provider Bonds or Purchased Bonds shall be released only after the Trustee has received written notice from the Credit Provider or the Liquidity Parchaser that the Credit Facility or Liquidity Facility, as applicable, has been reinstated by the amount of the funds drawn to purchase Credit Provider or Bonds or Purchased Bonds (A) as a result of reimbursement by the City to the Credit Provider or the Liquidity Purchaser or (B) (I) while the book-entry system is in effect, because Credit Provider Bonds or Purchased Bonds have been remarketed and the proceeds of such remarketing

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the books of the Trustee (or such nominee) to the account of the Credit Provider or Liquidity Purchaser (or their designee).

Section 214. Reserved.

Section 215. Reserved. Section 216. Reserved.

Section 217. Book-Entry Format. In the event the City shall elect to implement a book-entry system with respect to the Bonds, the following provisions shall apply:

book-entry system with respect to the Bonds, the following provisions shall apply:

(a) As per the direction of the initial purchasers of the Bonds, the ownership
of one fully registered Bond for each maturity of the Bonds shall be registered in the name of
Code & Co. ("Code"), as nominee of The Depository Trust Company ("DTC"), New York, New
York. If, however, the aggregate principal amount of any maturity exceeds 5100 million, one
certificate will be issued with respect to each \$100 million of principal amount, and an additional
certificate will be issued with respect to any remaining principal amount so that together they
equal the aggregate principal amount of that maturity. Payments of interest on and principal and
Redemption Price, if applicable, of the Bonds shall be made to the account of Code on each
payment date at the address indicated for Code in the registration books of the City kept by the
Bond Registrar by transfer of immediately available funds, provided, however that such
payments made with respect to Bonds subject to the Fixed Rate Period shall be made in New
York Clearing House or equivalent next day funds, and, provided further, that payments of
interest with respect to Bonds which are Purchased Bonds shall be made as provided in
Section 205(c). DTC has represented to the City that it will maintain a book-entry system in
recording ownership interests of its participants (the "Direct Participants") and the ownership
interest of a purchaser of a beneficial interest in the Bonds (a "Beneficial Owner") will be
recorded through book entries on the records of the Direct Participants").

recorded through book entries on the records of the Direct Participants.

(b) The Bonds may be issued in the form of a separate single fully registered Bond in the amount of each separate stated maturity, subject to the first and second sentence of Section 217. With respect to Bonds so registered in the name of Cede, the City, the Paying Agent, the Trustee and the Tender Agent shall have no responsibility or obligation to any Direct Participant (with the exception of the right of Direct Participants to demand purchase of Bonds pursuant to Section 207) or to any Beneficial Owner of such Bonds. Without limiting the immediately preceding sentence, the City, the Paying Agent, the Trustee and the Tender Agent shall have no responsibility or obligation with respect to (the accuracy of the records of DTC, Cede or any Direct Participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Direct Participant, Beneficial Owner or other Person, other than DTC, of any amount with respect to the Bonds, including any notice of redemption, (iii) the payment to any Direct Participant, Beneficial Owner or other Person, other than DTC, of any amount with respect to the Bonds, including any notice of redemption, (iii) the payment to any Direct Participant, Beneficial Owner or other Person, other than DTC, of any amount with respect to the Bonds of the Direct Participant, Beneficial Owner or Other Person, other than DTC, of any amount with respect to the Tender Agent may treas DTC as, and deem DTC to be, the aboutle Owner of each Bond for all purposes whatsoever (with the exception of the right of Direct Participants to demand purchase of Bonds pursuant to Section 207) including (but not limited by (i) payment of John Bonds and John Bonds and John Bonds or (i) payment of John Bonds and John Bonds or (ii) payment of John Bonds and John Bonds or (ii) payment of leanned purchase of Bonds pursuant to Section 207) including (but not limited by (i) payment of John Bonds and John Bonds and John Bonds B

the principal or Redemption Price of, and interest on, each such Bond, (ii) giving notices of purchase or redemption and other matters with respect to such Bonds, and (iii) registering transfers with respect to such Bonds. The Trustee shall pay the Principal or Redemption Price of, and interest on, all Bonds only to the Paying Agent who shall pay to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to such principal or Redemption Price, and interest, to the extent of the sum or sums so paid. No Person other than DTC shall receive a Bond evidencing the obligation of the City to make payments of principal or Redemption Price of, and interest on, the Bonds pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in this Indenture shall refer to such new nominee of DTC.

- (c) (i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable written notice to the City, the Trustee, Paying Agent and the Tender Agent and discharging its responsibilities with respect thereto under applicable law.
- (ii) The City, in its sole discretion and without the consent of any other Person, may terminate, upon provision of notice to the Trustee, Paying Agent and Tender Agent, the services of DTC with respect to the Bonds if the City determines, that: (A) DTC is unable to discharge its responsibilities with respect to such Bonds; or (B) a continuation of the requirement that all of the Oustanding Bonds be registered in the registration books kept by the Bond Registrar in the name of Cede, as nomince of DTC, is not in the best interest of the Beneficial Owners of such Bonds.
- (d) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (c/(ii)(B)) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection (c/(i) or subsection (c/(ii)(A)) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found or which, in the opinion of the City, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of Cede as nomineer of DTC. In such event, the City shall issue and the Bond Registrar shall transfer and exchange Bond certificates as requested by DTC or Direct Participants of like principal amount and maturity, in Authorized Denominations to the identifiable Beneficial Owners in replacement of such Beneficial Owners' beneficial interests in the Bonds.
- (e) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Code, as nominee of DTC, all payments with respect to the principal or Redemption Price of, interest on, and purchase price of such Bond and all notices to Owners with respect to such Bond shall be made and given, respectively, to DTC as provided in a Letter of Representations to be entered into at the time the Bonds are issued by and among DTC, the City, the Trustee, the Paying Agent and Tender Agent.
- (f) In connection with any notice or other communication to be provided to Bond Owners pursuant to this Indenture by the Trustee with respect to any consent or other

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Section 219. Registration, Transfer and Exchange. The City will cause books for the registration and registration of transfer or exchange of the Bonds to be kept at the principal office of the Bond Registrar. The City appoints the Bond Registrar as its registrar and transfer agent to keep such books and to make registrations of transfer or exchange under such reasonable regulations as the City or the Bond Registrar may prescribe.

Upon surrender for registration of transfer or exchange of any Bond at the principal office of the Bond Registrar, the City will execute and the Bond Registrar will authenticate and deliver in the name of the transferce or transferces a new Bond or Bonds of like date, store and of any authorized denomination for the aggregate principal amount which the Owner is entitled to receive, subject in each case to such reasonable regulations as the City or the Bond Registrar may prescribe. All Bonds presented for registration of transfer, exchange, redemption or payment will be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and substance reasonably satisfactory to the Bond Registrar duly executed by the registered Owner or by the Owner's duly authorized attorney-in-fact or legal representative. No Bond may be registered to bearer.

New Bonds delivered upon any transfer or exchange will be valid obligations of the City evidencing the same debt as the Bonds surrendered and entitled to their benefits to the same extent as the Bonds surrendered. Registrations of transfers or exchange will be made by the Bond Registrar within such time periods as are customary in the municipal securities industry.

Neither the City nor the Bond Registrar shall be required to (i) to transfer or exchange Bonds for a period of 20 days next preceding an interest payment date on such Bonds or next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption, or (ii) to transfer or exchange any Bonds called for redemption.

Section 220. Charges for Exchange or Transfer. Except as provided in Section 222, no charge will be made for any registration of transfer or exchange of Bonds, but the City or the Bond Registrar may require payment by the Owner of the Bonds of a sum sufficient to cover any applicable tax or other governmental charge that may be imposed.

Section 221. Temporary Bonds. Until Bonds in definitive form are ready for delivery, the City may execute, and upon its request in writing, the Bond Registrar will authenticate and deliver in lieu of definitive Bonds and subject to the same provisions, limitations and conditions, one or more printed, lithographed or typewritine Bonds in temporary form, in aubstantially the form set forth in this Indenture, with appropriate omissions, variations and insertions.

The City will, without unreasonable delay, prepare, execute and deliver to the Bond Registrar, and, upon the presentation and surrender of the Bond or Bonds in temporary form to the Bond Registrar at its principal office, the Bond Registrar will suthenticate and deliver in exchange, a Bond or Bonds of the same maturity and Series in definitive form, in the authorized denominations, and for the same aggregate principal amount as the Bond or Bonds in temporary form surrendered. Such exchange will be made at the City's expense.

action to be taken by Bond Owners so long as any Bond is registered in the name of Cede, as nominee of DTC, or the nominee of any successor securities depository, the Trustee shall establish a record date for such consent or other action and give DTC or any successor securities depository notice of such record date not less than 15 ealendar days in advance of such record date to the extent possible.

- (a) If the City purchases, or causes the Trustee to purchase with any moneys available to the Trustee, any of the Bonds, such purchase of Bonds shall be deemed to have occurred upon the purchase of beneficial ownership interests in the Bonds from a Direct Participant. Upon receipt by DTC of notice from the City and a Direct Participant that a purchase of beneficial ownership interests in the Bonds based beneficial ownership interests in the Bonds has been made by the City from such Direct Participant, DTC shall surrender to the Bond Registrar the Bonds referenced in such notice and, if the principal amount referenced in all ontice is less than the principal amount of the Bonds so surrendered, the Bond Registrar shall authenticate and deliver to DTC, in exchange for the Bond so surrendered, a new Bond or Bonds, as the case may be, in Authorized Denominations and in a principal amount qual to the difference between (i) the principal amount of the Bond so surrendered and (ii) the principal amount referred in said notice.
- (h) Notwithstanding any provision herein to the contrary, the City and the Trustee may agree to allow DTC, or its nominee, Cede, to make a notation on any Bond redeemed in part to reflect, for informational purposes only, the principal amount and date of any such redemption.
- (i) Notwithstanding any provision herein to the contrary, so long as the Bonds are subject to a system of book-entry transfers pursuant to this Section, any requirement for the delivery of Bonds to the Tender Agent in connection with a tender pursuant to Section 207 or 208 shall be deemed satisfied upon the transfer, on the registration books of DTC, of the beneficial ownership interests in such Bonds tendered for purchase to the account of the Tender Agent, or a Direct Participant acting on behalf of or at the direction of such Tender Agent.

Section 218. Prerequisites to Authentication of Bonds. The City shall execute and deliver to the Bond Registrar and the Bond Registrar shall authenticate the Bonds and deliver the Bonds to the initial purchaser or purchasers thereof only upon compliance with the requirements of this Section 218.

Prior to the delivery on original issuance by the Bond Registrar of any authenticated Bonds there shall be or have been delivered to the Trustee and the Bond Registrar, the following documents:

- (a) original duly executed counterparts of the Remarketing Agreement, the Liquidity Facility and the Tender Agency Agreement; and
- (b) an opinion of counsel for the Liquidity Purchaser stating, in the opinion of binding obligation of the Liquidity Purchaser stating, in the opinion of binding obligation of the Liquidity Purchaser enforceable against the Liquidity Purchaser in accordance with its terms.

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Section 222. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Outstanding Bond is mutilated, lost, stolen or destroyed, the City will execute, and, upon the City's request in writing, the Bond Registrar will authenticate and deliver, a replacement Bond of the same Series, principal amount and maturity and of like tenor as the mutilated, lost, stolen or destroyed Bond in exchange and substitution for a mutilated Bond, or in lieu of and substitution

Application for exchange and substitution of mutilated, lost, stolen or destroyed Bonds will be made to the Bond Registrar at its principal office and the applicant will furnish to the City and the Bond Registrar security or indemnification to their satisfaction. In every case of loss, theft or destruction of a Bond, the applicant will also furnish to the City and the Bond Registrar evidence to their satisfaction of the loss, theft or destruction and of the identity of the applicant, and in every case of mutilation of a Bond, the applicant will surrender the Bond so mutilated for cancellation.

Notwithstanding the foregoing provisions of this Section, in the event any Bond has matured and no default has occurred which is then continuing in the payment of the principal of or premium, if any, or interest on the Bond, the City may authorize the payment of the Bond (without surrender except in the case of a mutilated Bond) instead of issuing a substitute Bond, provided security or indemnification is furnished as provided in this Section.

The City and the Bond Registrar may charge the Owner their reasonable fees and expenses in connection with the issuance of any substitute Bond. Every substitute Bond issued pursuant to the provisions of this Section will constitute a contentual obligation of the City, whether or not the lost, stolen or destroyed Bond is found or delivered at any time, or is enforceable by anyone, and will be entitled to all of the benefits of this indentine equally and proportionally with any and all other Bonds duly issued under this Indenture to the same extent as the Bond in substitution for which such Bond was issued.

The provisions of this Section are exclusive and will preclude (to the extent lawful) all of the rights and remedies with respect to the payment of mutilated, lost, stolen, or destroyed Bonds, including those granted by any law or statute now existing or hereafter enacted.

Section 223. Destruction of Bonds. Any temporary or mutilated Bond surrendered to the Bond Registrar, or any Bond redeemed or paid at maturity, or any Bond delivered for transfer, exchange or replacement, or purchased pursuant to instructions from the City, will be destroyed, and the Bond Registrar will deliver a certificate of destruction of such Bonds to the City.

## ARTICLE III

## REDEMPTION OF BONDS

Section 301. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to this Indenture shall be redeemable, upon notice as provided in this Article III, at such times, at such prices and upon such terms in addition to the terms contained in this Article III as may be specified in this Indenture.

#### Section 302. Optional Redemption.

- (a) The Daily Rate Bonds, Weekly Rate Bonds and Monthly Rate Bonds are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date.
- (b) The Index Put Rate Bonds are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date that is an Indexed Put Rate Reset Date, at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date.
- (c) While the Bonds bear interest at a Variable Rate, the City anticipates that it will cause the Bonds to be redeemed pursuant to this Section 302(c), on August 1 in the years and in the principal amounts set forth below:

37	522	Amount	Year	Amount
	ear	\$485,000	2023	\$1,015,000
	800	515,000	2024	1.060,000
	009		2025	1,120,000
20	010	535,000		1,170,000
20	011	565,000	2026	1,230,000
21	012	590,000	2027	
	013	625,000	2028	1,290,000
	014	655,000	2029	1,355,000
		685,000	2030	1,425,000
2	015	720,000	2031	1,495,000
	016		2032	1,570,000
2	017	755,000	2032	1,650,000
2	018	795,000		1,730,000
. 2	019	835,000	2034	1,820,000
2	020	875,000	2035	
	021	920,000	2036	0
	0022	965,000	2037	2,005,000

(d) During any Medium Term Rate Period or Fixed Rate Period, the Bonds are subject to optional redemption by the City, on or after the First Optional Redemption Date, in whole or in part at any time, less than all of such Bonds to be selected by lot or in such other manner as the Trustee or the City, as applicable, shall determine, on the redemption dates and at the redemption prices (expressed as percentages of principal amount) to be determined by the City on or prior to the Conversion Date commencing such Medium Term Rate Period or Fixed Rate Period provided that such prices do not reflect a redemption premium exceeding 3%.

Section 303. Mandatory Sinking Fund Redemption Provisions. As a sinking fund, on August 1, 2036, the Trustee shall redeem \$1,910,000 of the Bonds maturing August 1, 2037, at a price of 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date.

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than thirty (30) days before the date fixed for redemption of Bonds, which have been converted to a Fixed Interest Rate, to the registered owners of any Bonds or portions of Bonds, which are to be redeemed, at their addresses as they appear on the Record Date on the registration books kept by the Bond Registrar. Failure of the registered owners of any Bonds, which are to be redeemed to receive any such notice, shall not affect the validity of the proceedings for the redemption of Bonds for which proper notice has been given.

(d) Any Bonds and portions of Bonds, which have been duly selected for redemption and which are deemed to be paid in accordance with their terms, shall cease to bear interest on the date fixed for redemption in the notice of redemption referred to in paragraph (b) of this Section 306.

## TENDER AGENT AND REMARKETING AGENT

Section 401. The Tender Agent. The Trustee shall also act as Tender Agent and shall accept the duties and obligations thereof under this Indenture by execution and delivery of an agreement with the City under which the Tender Agent will agree, among other things, to:

- (a) hold all Bonds tendered to it as Tender Agent or Trustee for purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective Owners, which shall have so tendered such Bonds until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Owners;
- (b) hold in accordance with this Indenture a Remarketing Proceeds Account and a Bank Bond Purchase Account, which Accounts shall not constitute funds or accounts held under or subject to the pledge of this Indenture;
- (c) hold all moneys paid or delivered to it under this Indenture for deposit in an account held in accordance with this Indenture for application to the purchase of Bonds, as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered or paid such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity or such moneys have been deposited with the Tender Agent as provided in Section 208;
- (d) hold all Purchased Bonds or Credit Provider Bonds and deliver such Purchased Bonds or Credit Provider Bonds to the Liquidity Purchaser or Credit Facility Provider, as appropriate, or transfer such Purchased Bonds or Credit Provider Bonds as directed by the Liquidity Purchaser or Credit Facility Provider, as appropriate;
- (e) keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the City, the Trustee, the Bond Registrar, the Remarketing Agent, the Liquidity Purchaser and the Credit Provider, and
- (f) give notices as required under this Indenture at the times and in the manner specified.

Section 304. Redemption of Purchased Bonds or Credit Provider Bonds. Purchased Bonds owned by the Liquidity Purchaser or Credit Provider Bonds owned by the Credit Provider, as a result of a purchase under the Liquidity Facility or Credit Facility, as the case may be, are subject to redemption at the option of the City in whole or in part, on the second Business Day after notice to the Liquidity Purchaser or the Credit Provider, as the case may be, at a redemption price equal to the principal amount thereof plus interest due thereon as provided in the Liquidity Facility or Credit Facility, as applicable. Purchased Bonds and Credit Provider Bonds are subject to mandatory redemption at such times and in such amounts as specified in the related Liquidity Facility or Credit Facility, as the case may be.

Section 305. Selection of Bonds to be Redeemed. In the event of redemption of less Section 305. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Bonds identified by the City as being subject to optional redemption as provided in Section 302, the particular Bonds or portions thereof to be redeemed shall be selected by the City as being a selected by the City as being a selected by the City as being a selected by the City and the portion of such Bonds to be retained by the Owner thereof shall be in the principal amount of an Authorized Denomination for the Interest Period to which such Bonds are then subject, and provided further, notwithstanding any provision of this Article III to the contrary, any Bonds which are Purchased Bonds or Credit Provider Bonds shall be selected first. New Bonds representing the unredeemed balance of the principal amount of any such Bonds or Credit per unredeemed balance of the principal amount of any such Bonds as that be selected first. See Bonds representing the unredeemed balance of the principal amount of any such Bonds shall be slexed to the registered Owner thereof, without charge therefor. Any new Bonds issued pursuant to this paragraph shall be conceived by the City and authenticated by the Bond Registrar and shall be in any Authorized Denominations in an aggregate unpaid principal amount equal to the unredeemed portion of the Bonds surrendered.

#### Section 306. Procedure for Redemption.

- (a) The City shall give written notice to the Trustee and Bond Registrar of its election or direction to redeem the Bonds at least thirty-five (35) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee.
- (b) In the event any of the Bonds are called for redemption, the Trustee shall give notice or came the Bond Registrar to give notice, in the name of the City, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed, the date fixed for redemption, the Redemption Price, and the place or places where amounts due upon such redemption all be payable (which shall be the principal office of the Bond Registrar and, if less than all of the Bonds are to be redeemed, the numbers of the Bonds so to be redeemed, and, if any of the Bonds are to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed and the letter and number or other distinguishing mark of each such Bond, (ii) state any conditions to such redemption, and (iii) state that on the date fixed for redemption, and upon the satisfaction of any such conditions, the Bonds to be redeemed shall cease to bear interest. Such notice may set forth any additional information relating to such redemption.
- (c) Notice of redemption of the Bonds shall be mailed or caused to be mailed, ostage prepaid, by the Trustee (i) not less than thirty (30) days before the date fixed for demption of Bonds, which have not been converted to a Fixed Interest Rate, and (ii) not less

Any successor Tender Agent shall be a bank or trust company, including a savings bank, duly organized under the laws of the United States of America or any state or territory thereof, having combined capital stock, surplus and undivided profits of at least Fifty Million Dollars (\$50,000,000), with trust powers, and authorized by law to perform all the duties imposed upon it by this Indenture. The Tender Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days' notice to the City, the Trustee, the Bond Registrar, the Remarketing Agent, any Qualified Swap Provider and each Credit Provider and Liquidity Purchaser, provided that such resignation shall not take effect until the appointment of a successor Tender Agent. The Tender Agent may be removed at any time by the City upon written notice to the Trustee, the Remarketing Agent, the Bond Registrar, any Qualified Swap Provider and each Credit Provider and/or Liquidity Purchaser provided that such removal shall not take effect until a successor Tender Agent is appointed. Upon the resignation or removal of the Tender Agent the City shall appoint a successor Tender Agent shall policy as uscessor Tender Agent, the City shall appoint as successor of the Tender Agent and the Liquidity Purchaser, if any, in effect, at the time such Tender Agent shall elevier any Bonds and moneys held by it in such capacity to its successor. Books and records relating to the Bonds shall be made available to any successor Tender Agent. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint as successor Tender Agent. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint as successor Tender Agent. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint as successor Tender Agent. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint as successor Te

# Section 402. Remarketing Proceeds Account and Bank Bond Purchase Account.

- (a) There are hereby created to be held by the Tender Agent the following accounts: (i) the Bank Bond Purchase Account and (ii) the Remarketing Proceeds Account. The temarketing Proceeds Account and Bank Bond Purchase Account shall not be part of the pledge of the City contained in this Indenture. Amounts on deposit in the Remarketing Proceeds Account shall not be commingled with each other or with the mounts held in any other fund or account under this Indenture.
- (b) All amounts received by the Tender Agent representing drawings on the Liquidity Facility to pay the Purchase Price of Variable Rate Bonds or Medium Term Rate Bonds shall be deposited in the Bank Bond Purchase Account, and used only for the payment of the Purchase Price of Outstanding Variable Rate Bonds or Medium Term Rate Bonds in the manner and at the times specified in Section 207.
- (c) All amounts received by the Tender Agent from the Remarketing Agent representing the Purchase Price of Variable Rate Bonds or Medium Term Rate Bonds remarketed by the Remarketing Agent and all amounts received from any other source (other than a drawing under a Credit Facility or Liquidity Facility) for such payment shall be deposited in the Remarketing Proceeds Account and shall be used only for payments of the Purchase Price of the Variable Rate Bonds or Medium Term Rate Bonds so remarketed as provided in Section 207 hereof or to the payment to the Liquidity Purchases or Credit Provider, as applicable, for Variable Rate Bonds or Medium Term Rate Bonds purchased by it and remarketed.

- (d) No moneys provided by the City shall be accepted for deposit to the credit of the Remarketing Proceeds Account and/or Bank Bond Purchase Account, nor shall any such moneys if deposited by mistake or otherwise, be used for the purchase of Variable Rate Bonds or Medium Term Rate Bonds tendered or deemed tendered for purchase pursuant to the terms of Article II hereof. Moneys in the Remarketing Proceeds Account and/or Bank Bond Purchase Account shall not be invested and shall be held without liability for interest thereon.
- Section 403. The Remarketing Agent. Morgan Keegan & Company, Inc. is currently serving as Remarketing Agent. The Remarketing Agent shall be authorized by law to perform all of the duties imposed upon it hereby. The Remarketing Agent or any successor shall signify its acceptance of the duties and obligations imposed upon it hereunder by a Remarketing Agreement under which the Remarketing Agent will agree to:
- (a) determine (which shall include inquiries of market sources as necessary to accurately ascertain the then-prevailing market conditions for the Bonds) each Variable Rate, Medium Term Rate and the Fixed Interest Rate and give notice of such rates as set forth in Article II;
- (b) keep such books and records with respect to the remarketing of the Variable Rate Bonds and Medium Term Rate Bonds as shall be consistent with prudent industry
- (c) use its best efforts to remarket the Variable Rate Bonds and Medium Term Rate Bonds in accordance with this Indenture and the Remarketing Agreement; provided, however, that commencing with any mandatory purchase described in Section 207(d) or 207(e), the Remarketing Agent shall suspend its remarketing of the Variable Rate Bonds and Medium Crem Rate Bonds until such time as the City, the Trustee, Liquidity Purchaser or Credit Provider, as applicable, and the Remarketing Agent agree to the resumption of remarketing.

as applicable, and the Remarketing Agent agree to the resumption of remarketing.

Section 404. Removal or Resignation of Remarketing Agent. The Remarketing Agent may be removed at any time upon seven (7) days prior written notice by an instrument filled with such Remarketing Agent and the Trustee and signed by an authorized officer of the City, and the City may appoint a successor with the prior written approval of the issuer of any Credit Facility and Liquidity Facility. Each successor Remarketing Agent at all times shall be either a member of the National Association of Securities Dealers, Inc. or registered as a dealer of municipal securities under the Securities Exchange Act of 1934, as memded, and shall have net capital of at least \$200,000,000. Notice of such removal shall promptly be provided to the City, the Liquidity Purchaser, Credit Fordorder, the Tender Agent, the Paying Agent, the Bond Registrar and the Trustee and as otherwise provided in the Remarketing Agent as points and the such resignation shall not be effective until a successor Remarketing Agent as selected. The Trustee shall promptly give written notice to the City, the Remarketing Agent as spointment of a successor Remarketing Agent as spointment as acces

Section 405. Successor Remarketing Agents. Any corporation, association, partnership or firm, which succeeds to the business of the Remarketing Agent as a whole or

transaction with the City and may act as depository, trustee, or agent for any committee or body of owners of any Bonds secured hereby or other obligations of the City as freely as if it did not act in any capacity hereunder.

Section 409. Cooperation by the City. The City shall cooperate with the Bond Registrar to cause the necessary arrangements to be made and to be thereafter continued whereby the Bonds, executed by the City and authenticated by the Bond Registrar, shall be made available for exchange, registration and registration of transfer at the principal office of the Bond Registrar. The City shall cooperate with the Trustee and the Bond Registrar to cause the necessary agreements to be made and thereafter continued whereby the issuer of any Credit Facility or Liquidity Facility and the Remarketing Agent shall be furnished such records and other information at such times as shall be required to enable the Paying Agent, the issuer of any Credit Facility or Liquidity Facility and the Remarketing Agent to perform the duties and the obligations immosed upon them hereunder.

Section 410. Notices and Filings. With respect to the Bonds, in each and every case in this Indenture in which notice is required to be given to the City, the Trustee, the Bond Registrar and/or the Owners of Bonds then Outstanding, then the applicable notice shall also be given to the Remarketing Agent, the issuer of any Credit Facility or Liquidity Facility, and any Rating Agency, currently rating the Bonds. Furthermore, with respect to the Bonds, in each and every case in this Indenture in which a filing of a written instrument is required to be made with the Trustee or the Bond Registrar or action must be taken by an executed written instrument signed by an Authorized City Representative, then any such filings shall also be made with, and copies of such written instruments signed by an Authorized City Representative, the India so be delivered to, the Remarketing Agent, the issuer of any Credit Facility or Liquidity Facility, and any Rating Agency, currently rating the Bonds. With respect to the Bonds, in each and every case in this Indenture in which a filing of a written instrument is required to be made to the Trustee, the Remarketing Agent, the issuer of any Credit Facility or Liquidity Facility and the Bond Registrar, if one party is acting in the capacity of more than one of the above mentioned positions, notice to such party in any one of its capacities or positions hereunder shall serve as notice to such sparty and the control of the City of the Ci

Section 411. Notices to Rating Agency. The Trustee shall provide any Rating Agency Section 411. Notices to Rating Agency. The Trustee shall provide any Rating Agency ith written notice upon the occurrence of: (a) the expiration, termination, extension of substitution of the Liquidity Facility or Credit Facility, if any; (b) the defeasance of any Bonds arsuant to Section 602; (c) the resignation or removal of the Trustee or the Remarketing Agent; (i) acceptance of appointment as successor Trustee hereunder; (e) the redemption or mandatory ander of all Bonds; (i) a material change in this Indenture or the Liquidity Facility or the Credit scillty, if any; or (g) notification of any Conversion. substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights, powers and obligations of such Remarketing Agent

Section 406. Modification of Remarketing Agent's Duties. Modifications may be made to the provisions hereof (with corresponding changes to the Remarketing Agreement) regarding the duties and responsibilities of the Remarketing Agent, the dates and times at which interest rates are to be determined, and the tender for purchase and notices of tenders, provided that the prior consent of the Remarketing Agent is obtained in writing and that:

- (a) any such modification shall be subject to the prior written consent (which shall not be unreasonably withheld) of the Liquidity Purchaser and/or Credit Provider;
- (b) the effective date for any such modification, as it affects the Bonds, shall be a Business Day, which occurs not less than thirty-five (35) days following the mailing by the Trustee to all Bond Owners of a notice setting forth the nature of the modifications and specifying the effective date thereof;
- (c) prior to the effective date of the modification, the Remarketing Agent shall not offer tendered Variable Rate Bonds or Medium Term Rate Bonds for sale to any Person unless it has advised such Person of the nature and effective date of the modification;
- (d) replacement Variable Rate Bonds or Medium Term Rate Bonds, if necessary, reflecting the modification shall be prepared prior to the effective date thereof and such replacement Variable Rate Bonds or Medium Term Rate Bonds shall be delivered in connection with all transfers (including transfers upon tender) and exchanges made on or after the effective date of the modification; and
- (e) prior to the effective date of the modification, the City, the Trustee, the Tender Agent, the issuer of any Credit Facility or Liquidity Facility and the Remarketing Agent shall have received a Favorable Opinion of Bond Counsel to the effect that the modification is authorized hereunder and will not adversely affect the exclusion of interest on the Variable Rate Bonds or Medium Term Rate Bonds from federal income tax.

Section 407. Remarketing Agent May Act Through Agents. The Remarketing Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, officers, or employees and shall be entitled to advice of counsel concerning all questions hereunder.

Section 408. Dealings in the Bonds. The Trustee, the Tender Agent, the issuer of any Credit Facility or Liquidity Facility, the Bond Registrar or the Remarketing Agent, each in its individual capacity, may in good faith and to the extent otherwise permitted by law, buy, sell, own, hold and deal in any of the Bonds issued hereunder, and may join in any action which any registered owner of the Bonds may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee, the issuer of any Credit Facility or Liquidity Facility, the Tender Agent, the Bond Registrar, or the Remarketing Agent, each in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other

## ARTICLE V

# LIQUIDITY FACILITY

Section 501. Liquidity Facility. The Trustee shall take such actions as may be necessary to obtain funds under, and as required by, the Liquidity Facility to pay the Purchase Price of the Variable Rate Bonds and Medium Term Rate Bonds then subject to purchase under the Liquidity Facility tendered for purchase or required to be purchased pursuant to the provisions of this Indenture at the times, on the dates, to the extent, and in the manner, provided by Section 207 and deliver the proceeds of such drawing to the Tender Agent for deposit in the Bank Bond Purchase Account pending application of such moneys to the payment of the Purchase Price of such Variable Rate Bonds or Medium Term Rate Bonds. The initial Liquidity Facility to be issued upon the issuance of the Bonds shall cover the Purchase Price of the Daily Rate Bonds, Weekly Rate Bonds and Monthly Rate Bonds and, unless and until otherwise amended, the requisite Coverage Amount shall not be available to pay the Purchase Price of the Commercial Paper Bonds or Medium Term Rate Bonds.

The Tender Agent shall notify the City and the Trustee by telephone, promptly confirmed in writing, of the amounts to be drawn, as soo least one day prior to such draw on the Liquidity Facility.

The Trustee shall have the obligation to hold and maintain the Liquidity Facility for the benefit of the Owners of Variable Rate Bonds and Medium Term Rate Bonds until the Liquidity Facility terminates or expires in accordance with its terms or the Fixed Rate Period has become effective. No Variable Rate Bonds or Medium Term Rate Bonds which are Purchased Bonds or which are held on account of the City or any affiliate thereof shall be entitled to the benefit of the Liquidity Facility, and the Liquidity Facility shall not be drawn upon for the benefit of any such Variable Rate Bonds or Medium Term Rate Bonds. If at any time during the term of the Liquidity Facility any successor Trustee shall be appointed and qualified under this Indenture, the resigning Trustee shall transfer the Liquidity Facility to said successor Trustee. When the Liquidity Facility to said successor Trustee (or successor Trustee) which is holding the Liquidity Facility to said successor Trustee.

It amy time all of the Variable Rate Bonds and Medium Term Rate Bonds then subject to purchase under the Liquidity Facility shall have been paid or converted to an Interest Period not permitted by the Liquidity Facility, the Trustee shall surrender the Liquidity Facility to the Liquidity Parchaser, in accordance with the terms of such Liquidity Facility, for cancellation. However, in the event the Variable Rate Bonds and Medium Term Rate Bonds are converted to an Interest Period not permitted by the current Liquidity Facility, the City and the current Liquidity Purchaser may amend the Liquidity Facility to provide the requisite Coverage Amount appropriate for such Interest Period. The Trustee shall comply with the procedures, if any, set forth in the Liquidity Facility relating to the termination thereof and is authorized to deliver certificates reducing the stated amount of the Liquidity Facility in accordance with the provisions thereof, if any.

Notwithstanding anything contained in this Indenture, the Trustee shall not seek to be indemnified with respect to any drawing under the Liquidity Facility pursuant to this Section prior to making any such drawing.

Section prior to minima any such charming.

Section 502. Release of Liquidity Facility. The Trustee shall not release any existing Liquidity Facility with respect to Variable Rate Bonds and Medium Rate Bonds subject to purchase under such Liquidity Facility, unless and until either (1) an Alternate Liquidity Pacility has been provided and the Alternate Liquidity Facility is unless and the Medium Term Rate Liquidity Facility is pushernatelly the same as the existing Liquidity Facility has been converted to a Fixed Rate in accordance with Section 206 and the City directs such a release, or (3) the Variable Rate Bonds and the Medium Term Rate Bonds have been defeased in accordance with their terms.

Section 503. Trustee to Reduce or Terminate Liquidity Facility. The Trustee shall, in accordance with the applicable provisions of the Liquidity Facility, take such action (including filing of certificates of reduction) as shall be required to reduce the amounts available for drawing thereunder in respect of principal and interest on the Bonds to reflect any permanent reduction in the amount of Variable Rate Bonds Oustanding; provided, however, that the amount available to be drawn under the Liquidity Facility shall at all times be equal to the Coverage Amount.

Section 594. Amendment of Liquidity Facility. The Trustee shall notify the Owners, the Remarketing Agent and each Rating Agency currently rating the Bonds of any proposed amendment of a Liquidity Facility which would adversely affect the interests of the Owners of the Trustee, and may consent thereto upon receipt of the consent of the Owners of all Variable Rate Bonds and Medium Term Rate Bonds then Outstanding which would be affected by the action proposed to be taken, provided, that, except as otherwise provided in Sections 502 and 503, the Trustee shall not, without the unanimous consent of the registered Owners of all 503, the Trustee shall not, without the unanimous consent of the registered Owners of all wariable Rate Bonds and Medium Term Rate Bonds Outstanding, which would to affected by the action proposed to be taken, consent to any amendment, which would () decrease the amount of the Liquidity Facility, or (2) reduce the term of the Liquidity Facility which would not adversely affect their interests, including any extension of the Liquidity Facility which would not adversely affect their interests, including any extension of the Liquidity Facility. Notwithstanding anything else provided herein, an amendment of this Indenture altering the rights, duties and obligations of the Liquidity Parchaser.

Section 505. References to Liquidity Purchaser. Any provision of this Indenture regarding the consent of, or mandating the direction of action by, the Liquidity Purchaser shall, except as expressly provided, be deemed ineffective if (i) the Liquidity Facility issued thereby is no longer in effect and no amount is due and owing under such Liquidity Facility or (ii) the Liquidity Purchaser has failed to honor a proper draw under the Liquidity Facility.

Section 506. Alternate Liquidity Facility. Notwithstanding any provisions in this Indenture regarding Alternate Liquidity Facilities to the contrary the following provisions shall govern Alternate Liquidity Facilities for the purposes of this Indenture:

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Medium Term Rate Bonds will be offered, sold and held by Owners in transactions not constituting a public offering of the Variable Rate Bonds, Medium Term Rate Bonds or the Liquidity Facility under the Securities Act of 1933, as amended, and accordingly neither the registration of the Variable Rate Bonds or the Medium Term Rate Bonds under the Securities Act of 1933, as amended, not the qualification of the Indenture in respect thereof under the Trust Indenture Act of 1939, as amended, will be required in connection with the issuance and delivery of the Liquidity Facility or the remarketing of the Variable Rate Bonds and Medium Term Rate Bonds with the benefits thereof, or (ii) the offering and sale of the Variable Rate Bonds, Medium Term Rate Bonds and the Liquidity Facility to shee negistered under the Securities Act of 1933 as amended, and any indenture required to be qualified with respect thereto under the Trust Indenture Act of 1939, as amended, has been so qualified.

Section 507. [Reserved]

Section 508. Additional Credit Facility. In its discretion, from time to time, the City may obtain an Additional Credit Facility to provide credit support for the Variable Rate Bonds and Medium Term Rate Bonds. Any such Additional Credit Facility shall be for the account of the Trustee, as trustee for the Owners.

## ARTICLE VI

## MISCELLANEOUS

Section 601. Notices. Except as otherwise provided in this Indenture, all notices, certificates, requests, requisitions or other communications by the City, the Trustee, the issuer of any Credit Facility or Liquidity Facility, the Tender Agent or the Bond Registrar pursuant to this Indenture shall be in writing and shall be sufficiently given and shall be deemed given by personal delivery or when mailed by registered or certified mail, postage prepaid, and either delivered or addressed as follows:

If to the City:

810 Union Street City Hall Building, Room 600 Norfolk, Virginia 23510 Attention: Director of Finance Telephone: (757) 664–4346 Facsimile: (757) 664–4110

- (a) At least sixty (60) days prior to the expiration or termination of any Liquidity Facility, the City shall provide for the delivery to the Trustee of a written commitment of delivery of an Alternate Liquidity Facility or renewal of the then existing Liquidity Facility. Any such Alternate Liquidity Facility may be for a term of years which is more or less than the Liquidity Facility which is being replaced (but in no event less than 360 days unless otherwise agreed to in writing by the City) and shall contain administrative provisions reasonably acceptable to the Trustee, the Tender Agent and the Remarketing Agent. On or prior to the date of the delivery of such Alternate Liquidity Facility to the Trustee, the City shall farmish to the Trustee, of a Pavorable Opinion of Bond Counsel and (ii) such additional opinions as the Trustee may reasonably request. Upon receipt of such documents and the documents set forth in paragraph (c) of this Section 506, the Trustee shall accept such Alternate Liquidity Facility and promptly surrender the Liquidity Facility then in effect to the Liquidity Pacility and promptly surrender the Liquidity Facility in accordance with its terms for cancellation or deliver any document necessary to reduce the coverage of such Liquidity Facility. In the case of a renewal of the existing Liquidity Facility, notice must be provided by the Liquidity Purchaser to the City, Trustee, Tender Agent and Remarketing Agent, at least sixty (60) days prior to the Expiration Date.
- (b) The Trustee or Tender Agent, as appropriate, shall comply with any procedures set forth in any outstanding Liquidity Facility relating to the termination thereof. In addition, upon conversion of the Variable Rate Bonds or Medium Term Rate Bonds to an Interest Period not permitted by the Liquidity Facility in accordance with Section 206, the Trustee shall comply with the procedures, if any, set forth in the outstanding Liquidity Facility relating to the termination thereof.
- relating to the termination thereof.

  (c) Notwithstanding anything contained herein to the contrary, no Alternate Liquidity Facility shall be accepted by the Trustee hereunder unless such Alternate Liquidity Facility is a companied by (A) opinions of counsel reasonably satisfactory to the City and substantially to the effect that (I) the Liquidity Purchaser is organized and existing, under the laws of the jurisdiction of its organization, and, if applicable, is qualified to do business or is otherwise licensed to conduct business in the United States of America; (2) the Alternate Liquidity Facility is a legal, valid and binding obligation of the Liquidity Purchaser, enforceable in accordance with its terms, except as limited by bankrupley, insolvency, roorganization, moratorium and other laws relating to, or affecting generally the enforcement of, creditor's rights and remedies, and by the availability of equitable remedies, including specific performance and injunctive relief; and (3) the Alternate Liquidity Facility is an exempt security or is exempt from registration under the Securities Act of 1933, as amended, and accordingly neither the registration of the Bonds or the Alternate Liquidity Facility in the tree of 1939, as amended, nor the qualification of this Indenture in respect thereof under the Trust Indenture Act of 1939, as amended, will be required in connection with the issuance and delivery of such Alternate Liquidity Facility or the remarketing of the Variable Rate Bonds and Medium Term Rate Bonds with the benefits thereof; and (8) the written consent of the City to the selection of the Liquidity Pacility or the remarketing of the Variable Rate Bonds with the benefits thereof; and (8) the written consent of the City to the selection of the Liquidity Pacility or the remarketing of the Variable Rate Bonds with the benefits thereof; and (8) the written consent of the City to the selection of the Liquidity Pacility or the remarketing of the Variable Rate Bonds with the benefits thereof; and (8) the w
- $(d) \quad \text{In lieu of the opinion of counsel required by Section } 506(e)(1)(A), there may be delivered an opinion of counsel reasonably satisfactory to the City to the effect that either (i) at all times during the term of the Alternate Liquidity Facility, the Variable Rate Bonds and$

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If to the Trustee, Tender Agent, Paying Agent, or Bond Registrar:

Regions Bank 951 East Byrd Street Richmond, Virginia 23219 Attention: Joy Edwards Telephone: (804) 225-1198 Facsimile: (804) 225-1183

If to the Remarketing

Morgan Keegan & Company, Inc. 951 East Byrd Street, Suite 930 Richmond, Virginia 23219 Attention: James Johnson Telephone: (804) 225-1104 Facsimile: (804) 225-1180

and

Morgan Keegan & Company, Inc. Fifty N. Front Street, 16th Floor Memphis, Tennessee 38103 Attention: Thomas Galvin Telephone: (901) 579-4226 Facsimile: (901) 579-4363

If to Fitch:

Fitch Inc. One State Street Plaza New York, NY 10004

Attention: Municipal Structured Finance Group

Telephone: (212) 908 0500 Facsimile: (212) 908 9195

If to S&P:

Standard & Poor's Rating Services 55 Water Street, 38" Floor New York, 1904 11 Attention: Muni Structured Finance Telephone: (212) 438-200 Facsimile Number: (212) 438-2157 E-mail Address; pubfin structure@standardandpo

If to the Liquidity Purchaser, at such address as the Liquidity Purchaser shall designate in writing in the Liquidity Pacility or otherwise. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses or telephone

numbers to which subsequent notices, certificates, requests or other communications shall be

Section 602. Defeasance. No Variable Rate Bonds shall be paid in advance of their maturity date until (1) notice of such defeasance has been provided to S&P, (2) the escrow agreement, defeasance opinion, and verification report by an independent certified public accountant (CPA), if any, have been provided to S&P, and (3) the Trustee receives written confirmation from S&P that the ratings then in effect on the Variable Rate Bonds will not be reduced or withdrawn as a result of such defeasance.

Section 604. Pledge of Full Faith and Credit. The full faith and credit of the City are irrevocably pledged for the payment of the principal of, premium, if any, and interest on the Bonds. The Council is authorized to and shall levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of, premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

#### Section 605. Modification of Indenture and Supplemental Indentures.

- (a) Supplemental Indentures without Consent of Owners. Subject to Sections 602 and 603, the City and the Trustee may, with consent of the Bank but without the consent of the Owners, enter into a Supplemental Indenture or Supplemental Indentures which thereafter will form a part of this Master Indenture, for any one or more of the following purposes:
- (i) To add to the covenants and agreements of the City contained in this Indenture and any Supplemental Indenture other covenants and agreements, and to surrender any right or power in this Indenture and any Supplemental Indenture reserved to or conferred upon the City;
- To cure any ambiguity, to supply any omission or to cure, correct or supplement any defect in the Indenture or any Supplemental Indenture;
- (iv) To subject to this Indenture and the Supplemental Indentures additional collateral;
- (v) To modify this Indenture, any Supplemental Indenture, or the Bonds to permit qualification under the Trust Indenture Act of 1939 or any similar federal statute -rat the time in effect;-or-to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;
  - (vi) To provide for uncertificated Bonds;

been paid in full, no amendment to the provisions affecting the payment of such Bonds will be made without the consent of the Owner of each of the Bonds affected.

made without the consent of the Owner of each of the Bonds affected.

If at any time the City requests the Trustee to long satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of the Supplemental Indenture for any of the purposes of this Section, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of the Supplemental Indenture to be mailed to each Owner of the Bonds then Outstanding by first-class mail to the address of Owner as it appears on the registration books; provided, bowever, any failure to give the notice by mailing, or any defect, in it, will not affect the validity of any proceedings pursuant to this Section. The notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that copies of it are on file at the corporate trust office of the Trustee for inspection by all Owners. If, within six months or such longer period as is prescribed by the City at or following the giving of the notice, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have consented to and approved in writing the execution of the Supplemental Indenture, no Owner will have any right to object to any of the terms and provisions contained in the Supplemental Indenture, or the operation of it, or any smanter to question the propriety of its execution, or to enjoin or restrain the Trustee or the City from executing the Supplemental Indenture or from taking any action pursuant to its provisions.

- authorized to enter into with the City any Supplemental Indenture. The Trustee is authorized to enter into with the City any Supplemental Indenture authorized or permitted by the terms of this Indenture. Upon the execution of any Supplemental Indenture as permitted by this Article, this Indenture will be deemed to be modified and amended in accordance with the terms of the Supplemental Indenture, and the Trustee is authorized to earry out the agreements and stipulations contained in it. The Trustee will not unreasonably refuse to enter into any Supplemental Indenture permitted by this Article unless the Trustee believes in good faith that the Supplemental Indenture will materially adversely affect the rights of the Owners of the Bonds then Outstanding or adversely affect the rights and immunities of or increase the duties of the Trustee. the Trustee
- (d) Opinion of Counsel. The Trustee will not execute any Supplemental Indenture amending this Indenture or any Supplemental Indenture unless there has been filed with it an opinion of counsel stating that the proposed Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms and that upon executing the Supplemental Indenture, it will be a valid and binding obligation of the party or parties executing
- Section 606. Tax Covenants Relating to the Bonds. The City cov Section 606. Tax Covenants Relating to the Bonds. The City covenants to maintain the exclusion from gross income for Federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986 (or any successor thereto) (the "Code") of the interest on the Bonds. In furtherance of the covenants contained in the preceding sentence, the City agrees to comply with the provisions of the Non-Arbitrage Certificate and Tax Covenants (the "Tax Certificate") delivered on the date of initial issuance and delivery of the Bonds, as the Tax —Certificate may be amended from time to time. ended from time to time,
- The City covenants and agrees with the Trustee and the Holders of the Bonds that the City shall not take any action or omit to take any action; which action or omission to

- (vii) To evidence the succession of a new Trustee or Paying Agent or the appointment by the Trustee or the City of a Co-Trustee or a Co-Paying Agent and to specify the rights and obligations of such Co-Trustee or Co-Paying Agent;
- (viii) To make any change (including but not limited to a change to comply with the Code or interpretations of it by the Treasury Department or the Internal Revenue Service) that in the opinion of the Trustee does not materially adversely affect the rights of any Owner of any Bonds then Outstanding;
- (ix) To make revisions to this Indenture that shall become effective only upon and, in connection with, the remarketing of all of the Bonds then outstanding; and
- (x) To make any modifications or changes necessary or appropriate to permit Bonds to be secured by a Credit Facility or Liquidity Facility or to accommodate the Conversion of Bonds to a Variable Rate, including the addition of provisions for the appointment of tender agents and similar parties and the specification of the duties and powers of such parties.

In making any decision regarding whether any modification of or change to this Indenture or any Supplemental Indenture will materially adversely affect the rights of the Owners of any Bonds then Outstanding, the Trustee may obtain and rely on an opinion or report of an independent financial advisor or consultant to be selected by the Trustee subject to the approval of the City. The cost of any such financial advisor or consultant will be paid by the City.

The City covenants that it will perform or cause to be performed all the requirements of any Supplemental Indenture which may be in effect from time to time. Nothing in this Article will affect or limit the right or obligation of the City to execute and deliver or cause to be delivered to the Trustee any instrument of further assurance or other instrument provided for in

this Indenture.

(b) Supplemental Indentures With Consent of Owners. Any modification or alteration of this Indenture and any Supplemental Indenture or of the rights and obligations of the City or of the Owners of the Bonds may be made by the City and the Trustee with the consent of the Bank and (i) the Owners of a majority in aggregate principal amount of the Bonds the Outstanding, or (ii) in case less than all of the Bonds then Outstanding are affected by the modifications or amendments, the Owners of a majority in aggregate principal amount of the Bonds so affected then Outstanding. However, without the consent of each Owner affected, no modification or alteration may (a) extend the manutry of the principal of or interest on any Bond, (b) reduce the principal amount of, or rate of interest on, any Bond, (c) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (d) reduce the percentage of the principal amount of the Bonds required for consent to such modification or alteration, (e) if applicable, impair the exclusion of interest on any Bonds from gross income for purposes of federal income taxation, (f) eliminate or extend the mandatory redemption date of any Bonds or reduce the redemption price of any Bonds, or (g) deprive any Owner of the lice created by this Indenture. In addition, if money has been deposited or set aside with the Trustee pursuant to the terms of this Indenture for the payment of Bonds and those Bonds will not have in fact actually

reasonably expected on the date of initial issuance and delivery of the Bonds, would cause any of the Bonds to be "private activity bonds" or "arbitrage bonds" within the meaning of Sections 141 (a) and 148, respectively, of the Code.

Notwithstanding any other provision of this Indenture to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income under Section 103(a) of the Code, the covenants contained in paragraphs 1 and 2 of this Section 606 shall survive the payment of the Bonds, including any payment or defeasance thereof.

Section 607. Limitation of Liability of Councilors, Officers, etc., of the City and the Trustee. No covenant, agreement or obligation contained in this Indenture will be deemed to be a covenant, agreement or obligation of any present or future councilor, officer, employee or agent of the City or the Trustee in his or her individual capacity, and neither the councilors of the City or directors of the Trustee in the order to the councilor of the City or directors of the Trustee nor any of their directors, employees or agents executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of their issuance. No director, officer, employee, agent or adviser of the City or the Trustee will incur any personal liability with respect to any action taken by him or her pursuant to this Indenture provided such director, officer, employee, agent or adviser acts in good faith.

Section 608. Severability of Invalid Provisions. If any clause, provision or section of this Indenture is held to be illegal or invalid by any court, the invalidity of the clause, provision or section will not affect any of the remaining clauses, provisions or sections, and this Indenture will be construed and enforced as if the illegal or invalid clause, provision or section had not been contained in it.

Section 609. Successors and Assigns. This Indenture is binding upon, inures to the benefit of and is enforceable by its parties and their respective successors and assigns.

Section 610. Severability. If any provision of this Indenture is held invalid by any court of competent jurisdiction, such holding will not invalidate any other provision.

Section 611. Governing Law. This Indenture will be governed by and construed under olicable laws of the Commonwealth.

Section 612. Counterparts. This Indenture may be executed in several counterparts, each of which will be an original, and the counterparts will together constitute one and the same

IN WITNESS WHEREOF, the parties have caused this Indenture to be executed on

CITY OF NORFOLK, VIRGINIA

	By: Mayor
	By: City Manager
	By: Acting Director of Finance
SEAL]	
ATTEST:	
By: Clerk of the Council	
Approved as to Form and Correctness:	
Office of the City Attorney City of Norfolk, Virginia	
	REGIONS BANK, as Trustee
	By:

EXHIBIT A-1

[FORM OF VARIABLE RATE BOND]

No. R-1

# UNITED STATES OF AMERICA COMMONWEALTH OF VIRGINIA

# CITY OF NORFOLK, VIRGINIA GENERAL OBLIGATION VARIABLE RATE DEMAND BONDS, SERIES 2007

MATURITY DATE INTEREST RATE

ISSUE DATE	REISSUE DATE	MATURITIDATE	III III III III III III III III III II
March 29, 2007	August 27, 2009	August 1, 2037	VR
REGISTERED OWNER: ORIGINAL PRINCIPAL AMOUNT:		CEDE & CO.	
			AND 00/100
		DOLLARS (S	
OUTSTANDING PRINCIPAL AMOUNT			AND 00/100
		DOLLARS (\$	

The CITY OF NORFOLK, VIRGINIA (the "City"), for value received, acknowledges itself indebted and promises to pay to the registered owner of this Bond or such owner's attorney or legal representative the principal amount stated above on the maturity date set forth above and to pay interest on the principal amount of this Bond from and including the most recent date to which interest shall have been paid hereon, or if no interest has been paid hereon, from the date of initial issuance and delivery of the Bonds (as defined herein), until payment of such principal amount of this Bond has been made or duly provided for in accordance with the Indenture (as defined herein), which interest shall be payable at a Daily Rate, Weekly Rate, Monthly Rate, Indexed Put Rate, Medium Term Rate or Commercial Paper Rate (each sat defined in the Indenture and described herein). Interest on Purchased Bonds or Credit Provider Bonds shall be paid at the rate and in accordance with the provisions of the Liquidity Facility or Credit Facility (as defined in the Indenture), respectively, currently in effect. Principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America.

The principal of and premium (if any) on this Bond, and interest accrued hereon prior to an Interest Payment Date (as defined berein), are payable at the designated corporate trust office of Regions Bank, as bond trustee (the "Trustee," which term includes any successor Trustee appointed in accordance with the Indenture), acting us Paying Agent (the "Paying Agent"), under the Indenture, or at the designated office of any successor Paying Agent appointed in accordance with the Indenture, upon presentation and surrender hereof as the same become due. The interest so payable on any applicable Interest Payment Date shall be paid to the Owner (as defined

EXHIBIT A-1

[FORM OF VARIABLE RATE BOND]

defined herein) preceding the Interest Payment Date, by check mailed to such Owner at such Owner's address as it appears on the registration books maintained by the Bond Registrar (as defined herein).

During any period in which the Bonds bear interest (1) payment of interest on the Bonds may (except as otherwise provided for Purchased Bends), at the option of any Owner of Bonds in an aggregate principal amount of at least \$1,000,000, be transmitted by wire transfer to such Owner, on written request therefor delivered to the Bond Registrar, to the bank account number on file with the Bond Registrar as of the relevant Record Date, (2) principal or redemption price of and interest on each Commercial Paper Bond will be payable by check mailed or, if presented and surrendered by 12:30 p.m. New York City time, by wire transfer) on presentation and surrender of such Bond on or after the due dates for such payments at the principal office of the Paying Agent, and (3) all payments of principal or redemption price of and interest on Purchased Bonds will be by wire transfer in immediately available funds as provided in the Liquidity Facility. Pacility.

Payment of the principal of, premium (if any) and interest on, and the purchase price of, this Bond shall be in any coin or currency of the United States of America which, at the respective times of payment, its legal tender for the payment of public and private debts. If any payment of the principal of, premium (if any) or interest on, or purchase price of, this Bond is due on a day that is not a Business Day, such payment will be made on the next succeeding Business Day, and no interest will acrue on the amount of such payment during the intervening period.

IN CERTAIN CIRCUMSTANCES THIS BOND MAY BE DEEMED TO HAVE BEEN TENDERED AND FURCHASED OR PAID PRIOR TO THE MATURITY DATE HEREOF, AS DESCRIBED HEREIN.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the Bond Registrar or a duly authorized authenticating agent, by execution of the certificate of authentication inscribed hereon.

The full faith and credit of the City are irrevocably pledged for the payment of the principal of, premium, if any, and interest on this Bond in accordance with its terms. The Council of the City is authorized to and shall levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levide and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of, premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

The Bonds and the Indenture, This Bond is one of the City's duly authorized General Obligation Variable Rate Demand Bonds, Series 2007, re-issued in the aggregate principal amount of \$31,365,000 (the "Bonds") under and pursuant to the Public Finance Act of 1991, Chapter 26, Title 13.2 of the Code of Virginia of 1950, as amended, Chapter 514 of the

Acts of Assembly of 1983, Section 147(f) of the Internal Revenue Code of 1986, as amended, and Ordinance No. 42,565 (the "Bond Ordinance"), adopted by the Council of the City (the "Council") on February 27, 2007 and Ordinance No. 43,575 (the "Amending Ordinance and together with the bond Ordinance, the "Ordinances") adopted by the Council on August 25, 2009. This Bond is re-issued and executed under and secured by an Amended and Restated Indenture of Trust dated as of August 1, 2009 (the "Indenture"), between the City and the Trustee, to (a) finance the acquisition, construction, and equipping of an approximately 80,000 square foot cruise ship center, which will include docking areas and meeting space, to be owned and operated by the City and (b) pay the issuance costs of the Bonds.

2. Definitions. Each of the following terms, as used herein, shall have the meaning given to such term by the language employed in this paragraph defining such term, unless the context clearly indicates otherwise. Any other term used herein as a defined term, but which is not defined in this paragraph or elsewhere herein, shall have the meaning given to such term by the Indenture, unless the context clearly indicates otherwise.

"Additional Credit Facility" means any insurance policy, surely bond, letter of credit or line of credit or similar agreement satisfactory to the City and the Trustee obtained to provide credit support for the Variable Rate Bonds in accordance with Section 508 of the Indenture.

"Alternate Credit Facility" means a letter of credit, a liquidity guarantee, a standby bond purchase agreement, a municipal bond insurance policy, a surety bond, line of credit, or other similar agreement or credit enhancement satisfactory to the City, as amended, supplemented or extended from time to time.

"Alternate Liquidity Facility" means an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the Variable Rate Bonds and Medium Term Rate Bonds, as amended, supplemented or extended from time to time.

"Applicable Spread" means an amount equal to the Applicable Spread determined by the Remarketing Agent pursuant to paragraph 5(b)(viii).

"Authorized Denominations" means, (1) with respect to any Series 2007 Bond bearing interest at a Daily Rate, Weekly Rate, Monthly Rate, Indexed Put Rate or a Medium Term Rate, \$100,000 or multiples of \$5,000 in excess thereof and (2) with respect to any Series 2007 Bond bearing interest at a Fixed Rate, \$5,000 or any integral multiple thereof.

"Bank" means the provider of a Credit Facility or Liquidity Facility, as the case may be

"Bank Default" means any of the following: (a) there shall occur a default in the payment of any amount required to be made under the Credit Facility or Liquidity Facility, as applicable; (b) the Credit Facility or Liquidity Facility, as applicable; shall have been declared null and void or unenforceable in a "final" determination by-a-court-of-law-of-competent jurisdiction; (c) a proceeding shall have been instituted in a court having jurisdiction in the premises acceting a decree or order for relief in respect of the Bank in an involuntary case under any applicable bankruptey, insolvency or other similar law now or hereafter in effect or for the

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"Conversion Date" means the Interest Payment Date which is the effective date of any

"Coverage Amount" means, as of any given date, an amount equal to the principal amount of Bonds Outstanding secured by the Credit Facility or the Liquidity Facility in question plus (1) during any Commercial Paper Period or Medium Term Rate Period, such number of days' interest on the Bonds as may be required to maintain the ratings then in effect on the Bonds as may be required to maintain the ratings then in effect on Bonds, (2) during any Daily Rate Period, Weekly Rate Period, Monthly Rate Period, or Indexed Put Rate Period 35 days' interest on such Bonds, computed at a rate per annum equal to the Maximum Rate or (3) such other number of days as will not adversely affect the rating then in effect on such Bonds.

"Credit Expiration Date" means the date which is five Business Days before the Credit Facility or Liquidity Facility, as the case may be, is to terminate or expire, including any extension of such date or voluntary termination, unless provision has been made in accordance with Sections 207(d) and 506 of the Indenture for the delivery of an Alternate Credit Facility or an Alternate Liquidity Facility, as the case may be, which does not result in the ratings then in effect on the Bonds being reduced or withdrawn.

"Credit Facility" means a letter of credit, a liquidity guarantee, a standby bond purch agreement, a municipal bond insurance policy, a surety bond, line of credit, or other sim agreement or credit enhancement satisfactory to the City, as smended, supplemented or extent from time to time and shall also include any Alternate Credit Facility.

"Credit Provider" means the provider of the Credit Facility then in effect.

"Credit Provider Bonds" has the meaning ascribed to such term in Section 209(e) of the

"Credit Provider Rate" shall at any date of determination have meaning ascribed thereto in the Credit Facility or the Liquidity Facility, as the case may be, in effect on such date.

"Daily Rate" means the interest rate determined in accordance with paragraph 5(b)(ii)

"Daily Rate Bonds" means the Bonds bearing interest at the Daily Rate.

"Daily Rate Period" means the period beginning on the date of determination of the Daily Rate and ending on the date of determination of a new Daily Rate or the next Conversion

"Electronic Means" means telecopy, telegraph, telex, facsimile transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission:

"First Optional Redemption Date" means August 1, 2015.

appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) of the Bank or for any substantial part of its property or for the winding-up or liquidation of its affairs and such proceeding shall remain undismissed or unstayed and in effect for a period of innety 690; onescutive days or such court shall enter a decree or order granting the relief sought in such proceeding; or (40 the Bank shall commence a voluntary case under any applicable bankrupter, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bank or for any substantial part of its property, or shall make a general assignment for the benefit of creditors.

"Bond Counsel" means any firm of nationally recognized municipal bond attorneys selected by the City and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for Federal income tax purposes.

"Bond Registrar" initially means Regions Bank and any subsequent Bond Registrar ted to serve as Bond Registrar hereunder who shall also be the Paying Agent.

"Bonds" means the City's General Obligation Variable Rate Demand Bonds, Series 2007.

"Business Day" means a day on which the Trustee, any Qualified Swap Provider, the Remarketing Agent, the Bank or banks or trust companies in New York, New York are not authorized or required to remain closed and on which the New York Stock Exchange is not closed.

"City" means the City of Norfolk, Virginia, a political subdivision of the

"City Council" or "Council" means the City Council of the City of Norfolk, Virginia.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commercial Paper Bonds" means Bonds bearing interest at the Commercial Paper

"Commercial Paper Rate" means with respect to each Commercial Paper Bond, the thorne by such Bond pursuant to Section 204(b)(i).

"Commercial Paper Period" means the Interest Period for any Commercial Paper Bond, then in effect, such Interest Period may not extend beyond the 15th day preceding the Credit Expiration Date or if such 15th day is not a Business Day, the immediately preceding Business Day.

"Conversion" means the conversion of the interest rate on the Bonds from one interest rate mode to another interest rate mode in accordance with the provisions of the Indenture.

"Fitch" meams Fitch Inc., duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Fitch" shall be deemed to refer to any other recognized municipal securities rating agency designated by the City other than Moody's or Standard and Poor's and acceptable to the Liquidity

"Fixed Rate" means the Fixed Rate established in accordance with paragraph 5(b)(iv)

"Fixed Rate Bonds" means Bonds bearing interest at a Fixed Rate.

"Fixed Rate Conversion Date" means the effective date of a Fixed Rate established in ance with paragraph 7 herein.

"Fixed Rate Period" means the period during which the Bonds bear interest at the Fixed Rate, which period ends on the maturity date of the Bonds.

"Indexed Put Base Rate" means such rate as shall be determined by the Remarketing Agent pursuant to paragraph 5(b)(viii) hereof.

"Indexed Put Date" has the meaning given in paragraph 5(b)(viii) hereof.

"Indexed Put Rate" means the rate at which a Series 2007 Bond in the Indexed Put Rate bears interest, as established in accordance with paragraph 5(b)(viii) hereof.

"Indexed Put Rate Bonds" means any Series 2007 Bonds bearing interest at an Indexed Put Rate

"Indexed Put Rate Period" means the Period determined in paragraph 5(b)(viii) hereof.

"Indexed Put Rate Reset Date" shall have the meaning set forth in paragraph 5(b)(viii).

"Interest Payment Date" means (1) for all Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds, and Indexed Put Rate Bonds, the first Business Day of each calendar month; (2) for each Commercial Paper Bond, the Rate Adjustment Date immediately following the Commercial Paper Period for which such interest accrued; (3) for Medium Term Rate Bonds or Fixed Rate Bonds, each August 1 and February 1; (4) the date of mandatory tender under paragraph 7 and 13 herein and under Sections 206 and 207 of the Indenture, and (5) the maturity

"Interest Period" means (1) with respect to each Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond or Indexed Put Rate Bond, the Daily Rate Period, Weekly Rate Period, the Monthly Rate Period or Indexed Put Rate Bond applicable thereto or (2) with respect to each Commercial Paper Bond, Medium Term Rate Bond or Fixed Rate Bond, that period beginning on an Interest Payment Date or a Conversion Date through and including the date preceding the next Interest Payment Date.

"Liquidity Facility" means an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the Variable Rate Bonds and Medium Term Rate Bonds, if applicable, as amended, supplemented or extended from time to time and shall also include any Alternate Liquidity Facility. "Liquidity Facility" means an irrevocable letter of credit and related reimbursem

"Liquidity Purchaser" means the provider of the Liquidity Facility then in effect.

"Medium Term Rate Bonds" means the Bonds bearing the Medium Term Rate

"Medium Term Rate" means the interest rate determined in accordance with paragraph 5 (b)(vi)

"Medium Term Rate Period" means the period beginning on a Conversion Date after which the Bonds will bear interest at a Medium Term Rate and ending on the next succeeding Conversion Date.

"Monthly Rate" means the interest rate determined in accordance with paragraph 5

"Monthly Rate Bonds" means the Bonds bearing the Monthly Rate.

"Monthly Rate Period" means (1) the period beginning on a Conversion Date and ending on the day preceding the first Business Day of the month following such Conversion Date and (2) the period beginning on the first Business Day of a calendar month and ending on the day preceding the first Business Day of the following calendar month.

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's" shall be deemed to refer to any other recognized municipal securities rating agency designated by the City other than Fisch or Standard and Poor's and acceptable to the Liquidity Purchaser.

"Outstanding" means, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, all Bonds that have been authenticated and delivered by the Bond Registrar hereunder, except:

- (i) Bonds cancelled or delivered for cancellation at or prior to such
- (ii) Untendered Bonds to the extent that there is on deposit with the Remarketing Agent or the Tender Agent on the Purchase Date thereof an amount to pay the Purchase Price thereof as provided herein, and
- (iii) Bonds in lieu of others which have been authenticated under Section 219 or Section 222 of the Indenture.

"Standard and Poor's" or "S. & P" means Standard & Poor's Ratings Service, Inc., duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency. "Standard and Poor's" shall be deemed to refer to any other recognized municipal securities rating agency designated by the City other than Fitch or Moody's and acceptable to the Liquidity Purchaser.

"Tender Agency Agreement" means the agreement entered into by the City with the Tender Agent pursuant to Section 401 of the Indenture.

"Tender Agent" means the party so designated in the Tender Agency Agreement as the tender agent and any successor or successors thereto as shall be appointed pursuant to Section 401 of the Indenture.

"Trustee" shall initially mean Regions Bank or any agent selected by the City to serve as

"Variable Rate Bonds" means the Commercial Paper Bonds, the Daily Rate Bonds, the Weekly Rate Bonds, the Monthly Rate Bonds and the Indexed Put Rate Bonds.

"Variable Rate Period" means the period during which the Bonds bear interest at the Variable Rate.

"Variable Rate" means the Commercial Paper Rate, the Daily Rate, the Weekly Rate, the Monthly Rate, and the Indexed Put Rate.

"Weekly Rate" means the interest rate determined in accordance with paragraph 5(b)(iii).

"Weekly Rate Bonds" means the Bonds bearing the Weekly Rate

"Weekly Rate Period" means the period beginning on, and including any Wednesday (or, if not a Business Day, on the next succeeding Business Day) and ending on, and including the then next Tuerday for the day immediately preceding the first day of the next Weekly Rate Period for Weekly Rate Bonds), except that (1) the first "Weekly Rate Period" for the Bonds means the period beginning on the date the Bonds are issued and ending in the next succeeding Tuesday or the day immediately preceding the first day of the next Weekly Rate Period and (2) in the event of Conversion to Weekly Rate Bonds, the first "Weekly Rate Period" means the period beginning on the Conversion Date and ending on the next succeeding Wednesday (or the day immediately preceding the first day of the next Weekly Rate Period for Weekly Rate Bonds).

3. Pledge of Full Faith and Credit. The full faith and credit of the City are irrevocably pledged for the payment of the principal of, premium, if any, and interest on the Bonds. The Council is authorized to and shall levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, leviced and collected, a tax upon all the stable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of, premium, if

"Owner" means the bondholder of any Series 2007 Bonds.

"Paying Agent" means initially Regions Bank and any subsequent Paying Agent ted to serve as Paying Agent hereunder.

"Purchased Bonds" shall mean Variable Rate Bonds or Medium Term Rate Bonds, if applicable, purchased by the Liquidity Purchaser for so long as such Variable Rate Bonds are subject to the Purchased Bonds Rate.

"Purchased Bonds Rate" shall, at any date of determination, have the meaning ascribed thereto in the Liquidity Facility in effect on such date. For purposes of the Indenture, the Purchased Bonds Rate shall not apply when Variable Rate Bonds or Medium Term Rate Bonds, if applicable, cease to be Purchased Bonds.

"Purchase Date" means, (1) for a Commercial Paper Bond, the Rate Adjustment Date following the current Commercial Paper Period as set forth in paragraph 13(b); (2) for Daily Rate Bonds, the Business Day as set forth in paragraph 13(a)(i); (3) for Weekly Rate Bonds, the Business Day as set forth in paragraph 13(a)(ii); (6) for Monthly Rate Bonds, the Business Day as set forth in paragraph 13 (a)(iii); (5) for Medium Term Rate Bonds, the Business Day as set forth in paragraph 13 (a)(ivi); (6) for Indexed Put Rate Bonds, the Business Day as set forth in paragraph 13(a)(ivi); (6) for Indexed Put Rate Bonds, the Business Day as set forth in paragraph 13(a)(iv) and (7) for all Bonds, any Business Day on which Bonds are subject to mandatory purchase pursuant to paragraph 13 (c),(d) and (e).

"Purchase Price" means an amount equal to the aggregate principal amount of Bonds ndered for purchase plus, if the Purchase Date is not an Interest Payment Date, accrued interest the Purchase Date.

"Rate Adjustment Date" means, with respect to Commercial Paper Bonds, the first Business Day immediately following the end of the preceding Commercial Paper Period applicable to such Bond.

"Rating Agency" means Moody's, S & P or Fitch.

"Record Date" means (i) with respect to the Daily Interest Rate Period, Weekly Interest Rate Period, Monthly Rate Period and Indexed Put Rate Period, the Business Day immediately preceding the Interest Payment Date and (ii) with respect to the Medium Term Rate Period and the Fixed Interest Rate Period, the 15th day of the immediately preceding calendar month.

"Remarketing Agent" means the initial purchaser of the Series 2007 Bo ceesor Remarketing Agent appointed by the City and reasonably acceptable to t

"Remarketing Agreement" means the agreement entered into by the City and the keting Agent pursuant to Section 403 hereof. Remarketing Agent pursu

"Series 2007 Bonds" means the City's General Obligation Variable Rate Demand Bonds, Series 2007.

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any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

4. Reference to Documents. Reference is hereby made to the Indenture, Tender Agency Agreement, Remarketing Agreement and the Liquidity Facility Agreement, copies of which are on file with the Trustee, for the provisions, among others, with respect to (a) the nature and extent of the rights, duties and obligations of the City, the Trustee, the Registrar, the Paying Agent, the Remarketing Agent, and the Owners of the Bonds, and certain rights of the Liquidity Purchaser, (b) the provisions under which the Bonds Dutstanding under the Indenture, and all accrued and unpaid interest thereon, may become or may be declared due and payable before the stated maturity thereof, (c) provisions under which the lien of the Indenture. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture. Thereof Agency Agreement, Remarketing Agreement and Liquidity Facility Agreement, all of which are incorporated berein by reference.

## 5. Interest Rate

5. Interest Rate.

(a) General. Upon the reissuance of the Bonds, the Bonds will bear interest at the Weekly Rate determined at public sale and thereafter at the rate set forth in Section 204 of the Indenture. Each Bond will evidence the right to receive interest, at a Variable Rate or a Medium Term Rate, determined from time to time, or at a Fixed Rate, from and including the date of such Bond until payment of the principal or redemption price thereof has been made or provided for in accordance with the provisions hereof, whether at maturity, on redemption or otherwise. Interest for each Interest Period will be paid on the next succeeding Interest Payment! Date and, while the Bonds pay interest at a Variable Rate, will be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed, while the Bonds pay interest at the Medium Term Rate or the Fixed Rate, computed on the basis of a year of 367 or 366 days, as appropriate, for the actual number of days elapsed, while the Bonds pay interest at the Medium Term Rate or the Fixed Rate, computed on the basis of a year of 360 days and twelve 30-day months, provided that while any Bonds pay interest at the Credit Facility as provided to the Trustee in writing, and, provided, further, that while Bonds bear interest at the Purchased Bonds Rate, interest on such Bonds will be payable on the dates and in the amounts provided in the Liquidity Facility as calculated by the Liquidity Parchaser on the basis provided in the Liquidity Facility as calculated by the Liquidity Parchaser on the basis provided in the Liquidity Facility as calculated the Trustee in writing, Interest attributable to any Bond may not accrue at a rate greater than the Maximum Rate. The Trustee will calculate the amount of interest to be paid on each Interest Payment Date and will confirm the amount in writing with the Paying Agent.

- (b) <u>Certain Interest Rates</u>. Interest rates will be determined as follows for Commercial Paper Bonds, Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds, Medium Term Rate Bonds, Indexed Put Rate Bonds and Fixed Rate Bonds.
- (i) (A) For each Commercial Paper Bond, the interest rate will be the annualized rate established by the Remarketing Agent on or before 12:30 p.m., New York City time, on the first day of the related Commercial Paper Period which, from among various interest rates established from time to time by the Remarketing Agent, is the interest rate necessary, in

the best professional judgment of the Remarketing Agent, taking into account prevailing market conditions, to enable such Commercial Paper Bond to be sold in a secondary market transaction on the first day of such Commercial Paper Period at a price equal to par plus accrued interest, if

- (B) For each Commercial Paper Bond, each Purchase Date and the related Commercial Paper Period will be established by the Remarketing Agent on experior to the first day of each Commercial Paper Period for such Bond as being the Purchase Date and Commercial Paper Period permitted hereunder which, in the best professional judgment of the Remarketing Agent, taking into account prevailing market conditions, will ultimately produce the lowest overall net interest cost to the City for the Bonds until their maturity, provided that Commercial Paper Period must be from 1 to 270 days in length and may not extend beyond a Conversion Date or any date set for redemption, and the first day next succeeding each Commercial Paper Period must be a Business Day.
- (C) Notwithstanding subparagraph (B) above, (1) if a Credit Facility or Liquidity Facility is in effect and if no Additional Credit Facility or Alternate Liquidity Facility has been delivered under Section 506 or 508 of the Indenture, as applicable, then no new Commercial Paper Period will be established for any Bond unless the Interest Payment Date for such Commercial Paper Period occurs before the Credit Expiration Date and the aggregate principal amount of the Commercial Paper Beriod does not exceed the Coverage Interest Payment Date during the Commercial Paper Period does not exceed the Coverage Amount, and (2) if the City has previously determined to convert the interest rate mode for the Bonds from the Commercial Paper Rate, no new Commercial Paper Period for any such Bond to be converted will be established unless the last day of such Commercial Paper Period occurs before the Conversion Date.
- betore the Conversion Lake.

  (ii) For Daily Rate Bonds, the interest rate for any Daily Rate Period will be the rate established by the Remarketing Agent by 11:00 a.m. New York City time on each Business Day which is equal to the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount theroof, plus accound interest, if any. The Daily Rate shall be effective on the day of its determination to, but not including, (a) the date of determination of a new Daily Rate (a) the next Conversion Date. The Remarketing Agent shall determine a preliminary Daily Rate for each Business Day by no later than 10:00 a.m. New York City time on such day. It add ys inso tal susinesse Day, then the Daily Rate shall be the Daily Rate determined for the immediately preceding Business Day.
- (iii) For Weekly Rate Bonds, the interest rate for any Weekly Rate Period will be the rate established by the Remarketing Agent on the first day of such Weekly Rate Period which is the minimum rate. of interest necessary, in, the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof; plus accrued interest, if any.

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independently verify the occurrence of the Adjustment Event. Any such adjustment to the Applicable Spread shall be effective immediately and shall be retroactive to the first Thursday following the occurrence of the Adjustment Event, but shall only be applicable for so long as a Bank Default is continuing.

The Remarketing Agent shall determine the Indexed Put Base Rate and Applicable Spread on the Conversion Date and on each Indexed Put Date and shall furnish to the Trustee and the City, no later than the Business Day next succeeding such Conversion Date or Indexed Put Date, the Indexed Put Rate by Electroine, Means, Inormaly confirmed in writing. The Remarketing Agent shall determine the Indexed Put Rate Period, and the next Indexed Put Date on or before the day the Bonds are converted to the Indexed Put Rate and on or before each Indexed Put Date. In any case where an Indexed Put Date is not a Business Day, then such Indexed Put Date shall be deemed to be the next Butiness Day.

Any provision of the Indenture notwithstanding, the Bonds, at any given time, shall operate in only one Interest Period. References to Commercial Paper Bonds, Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds, Medium Term Rate Bonds, Indexed Put Rate Bonds or Fixed Rate Bonds shall be deemed to refer to those particular Bonds operating in the applicable Interest Period. The Purchased Bonds Rate shall not apply when Variable Rate Bonds or Medium Term Rate Bonds, as applicable Interest Period. The Purchased Bonds Rate Bonds.

- (c) Notification of Interest Bate. The Remarketing Agent will promptly advise in writing the Trustee, the Paying Agent and the City of (i) all interest rates determined by it under paragraph \$(b)()(A), (ii), (iii), (iv), (v) and (vi), (ii) for Medium Term Rate Bonds and Commercial Paper Bends, all Interest Periods, principal amounts, Owners and Purchase Dates and (iiii) for Indoxed Put Bate Bonds, the Indoxed Put Bate Rate, the Applicable Spread, the Indoxed Put Date and the Indoxed Put Rate Period. Any determination of an interest rate and, in the case of Commercial Paper Bonds, determination of East, the next Rate Adjustment Date and the related Commercial Paper Period and for Indoxed Put Bate Bonds, the determination of the Indoxed Put Rate, the Applicable Spread, the next Indoxed Put Date and the Indoxed Put Rate (East) and the Indoxed Put Date and the Indoxed Put Bate Patien Indoxed Put Rate Patien Indoxed Put Bate Patien I
- 6. Failure to Compute Interest Rates; Ineffective Interest Rates. If the Remarketing Agent no longer determines, or fails to determine, when required, an interest rate pursuant to paragraph 6(b)(3)(A), (ii), (iii), (iv), (v), (vi) or (iii) above, or if for any reason such manner of determination is held to be invalid or unenforceable by a court of law, the interest rates for the next Interest Period will be determined by the Trustee as follows:
- (a) For Commercial Paper Bonds, if the Remarketing Agent does not determine an interest rate pursuant to paragraph 5(b)(i)(A) for one or more Commercial Paper Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Commercial Paper Period.

- (iv) For Fixed Rate Bonds, the interest rate will be an annual rate established by the Remarketing Agent on or before the Fixed Rate Conversion Date which is the minimum fixed interest rate necessary, in the best professional judgment of the Remarketing Agent, taking into account prevailing market conditions, to enable the Remarketing Agent to sell all of the Bonds in the secondary market at a price equal to the principal amount thereof.
- (v) For Monthly Rate Bonds, the interest rate for any Monthly Rate Period will be the rate established by the Remarketing Agent on the first Business Day of such Monthly Rate Period, which is the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent at oremarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any.
- set at a price equal to the principal amount thereof, plus accrued interest, if any.

  (vi) For Medium Term Rate Bonds, the interest rate for any Medium Term
  Rate Period will be the rate established by the Remarketing Agent on the first Business Day of
  such Medium Term Rate Period, which is the minimum rate of interest necessary, in the best
  professional judgment of the Remarketing Agent taking into account prevailing market
  conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary
  market on the date such rate is set at a price equal to the principal amount thereof, plus accrued
  interest, if any, For each Medium Term Rate Bond, each Purchase Data and the related Medium
  Term Rate Period will be established by the Remarketing Agent on or before the first day of each
  Medium Term Rate Period for such Bond as being the Purchase Data and the editum Term Rate
  Period permitted hereunder which, in the best professional judgment of the Remarketing Agent,
  taking into account prevailing market conditions, will enable the Remarketing Agent to remarket
  all of the Bonds in the secondary market on the date such rate is set; provided that Medium Term
  Rate Period may not extend beyond a Conversion Date.
- (vii) Credit Provider Bonds will bear interest at the Credit Provider Rate. The Credit Provider will calculate the Credit Provider Rate in accordance with the Credit Facility and notify the Trustee and the Paying Agent of the Credit Provider Rate. Purchased Bonds Will bear interest at the Purchased Bonds Rate. The Liquidity Purchaser will calculate the Purchased Bonds Rate in accordance with the Liquidity Facility and notify the Trustee and the Paying Agent of the Purchased Bonds Rate.
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  (viii) For Indexed Put Rate Bonds, the Indexed Put Base Rate, the Applicable Spread, and the next Indexed Put Date for any Indexed Put Rate Period will be established by the Remarketing Agent on the date the Bonds are converted to an Indexed Put Rate and on any Indexed Put Date. The Trustee shall calculate the Indexed Put Rate each Thurstay (the "Indexed Put Rate Reset Date"), which shall be equal to the Indexed Put Base Rate on such day plus the Applicable Spread. Any adjustment to the Applicable Spread to be made following the Courtence and during the continuance of a Bank Default (an "Adjustment Event") shall be made and announced by the Trustee as soon as practicable following receipt by the Trustee of notice from the City or from the Remarketing Agent or any Owner of Indexed Put Rate Bonds (subject to verification by the Trustee as described below) that an Adjustment Event has transpired that gives rise to an adjustment in the Applicable Spread. If the Trustee has received notice from an Owner of an Indexed Put Rate Bond of the occurrence of an Adjustment Event, the Trustee shall

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- (b) For Daily Rate Bonds, if the Remarketing Agent does not determine an interest rate pursuant to paragraph 5(b)(ii) for one or more Daily Rate Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Daily Rate Period.
- (c) For Weekly Rate Bonds, if the Remarketing Agent does not determine an interest rate pursuant to paragraph 5 (b)(iii) for one or more Weekly Rate Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Weekly Rate Period.
- (d) If the Remarketing Agent no longer establishes or fails to establish when required, a Commercial Paper Period for a Commercial Paper Bond pursuant to paragraph 5 (b)(1)(B) such Commercial Paper Period and all succeeding Commercial Paper Periods for such Bond will be that Commercial Paper Period which results in each succeeding Purchase Date for such Bond being the next Business Day until such time as the Remarketing Agent again establishes a Commercial Paper Period for such Bond.
- (c) For Monthly Rate Bonds, if the Remarketing Agent does not determine an interest rate pursuant to paragraph 5(b)(v) for one or more Monthly Rate Periods, the interest rate will be that interest rate borne by such Bonds during the preceding Monthly Rate Period.
- (f) For Medium Term Rate Bonds, if the Remarketing Agent does not determine an interest rate or Medium Term Rate Period, pursuant to paragraph 5(b)(vi) for one or more subsequent Medium Term Rate Periods, the interest rate and the duration of such Medium Term Rate Period will be that interest rate borne by such Bonds during the preceding Medium Term Rate Period.
- (g) For Indexed Put Rate Bonds, if the Remarketing Agent does not determine the Indexed Put Base Rate and the Applicable Spread pursuant to Section 204(b)(viii) for one or more Indexed Put Rate Periods, the Indexed Put Base Rate and Applicable Spread will be the same as the Indexed Put Base Rate and Applicable Spread for the preceding Indexed Put Rate Period.

If the Remarketing Agent fails to specify the Indexed Put Rate Period, such Indexed Put Rate Period shall be a period commencing on the applicable Conversion Date or the Indexed Put Date, and the Thursday of each calendar week, and extending to and including the next succeeding Wednesday; and fit he Remarketing Agent fails to specify the Indexed Put Date hall refer to the Semiannual Indexed Put Date. The "Semiannual Indexed Put Date of which the Bonds are converted to an Indexed Put Bate are of the Indexed Put Date, as applicable, and thereafter the dates in each year that are six months after the previous Indexed Put Date. In any case if the Indexed Put Date in the Semiannual Indexed Put Date in the Indexed Put Date in Ind

## 7. Conversion of Interest Rate; Revocation of Conversion.

(a) The interest rate on the Bonds is subject to Conversion to another interest rate mode, except from a Fixed Rate to another interest rate mode, in whole and not in part, at the option of the City, by mailing a notice thereof to the Trustee, the Credit Provider, Liquidity Purchaser, the Paying Agent and the Remarketing Agent at least 30 days before the Conversion Date and, if the Conversion is from the Commercial Paper Rate to another mode, subject to the limitations set forth at the end of this subsection (a), accompanied by a preliminary written opinion of Bond Counsel stating that such Conversion is authorized and in accordance with the Indenture and will not adversely affect the exclusion of the interest on any of the Bonds from the gross income of the recipient thereof for federal income tax purposes. On the Conversion Date, as a necessary condition to such Conversion the City must deliver to the Trustee an opinion of Bond Counsel dated the Conversion Date confirming the preliminary written opinion as of such Conversion Date. A Conversion may occur only (1) when the Conversion Date is a date on which the Bonds are subject to optional redemption, (2) if the Conversion Date is a date on which the Bonds are subject to optional redemption, (2) if the Conversion Date is not a Business Day then the Conversion that occur on the next Business Day, (2) except for conversion to a Prized Rate, if the Credit Facility or Liquidity Facility, as applicable, is in the applicable Coverage Amount and (4) for a Conversion to the Commercial Paper Rate or the Medium Term of the Credit Facility or the Conversion of the Conversion than the Conversion of the Conversion and for purposes of Conversion referred to in subsection (a) of this duration of the Conversion to a Conversion to a Conversion to the Conversion Date.

- (b) If the conditions to a Conversion referred to in subsec Section are not satisfied on the Conversion Date, the proposed Conversion will and interest on the Bonds will remain in the same interest rate mode.
- and interest on the Bonds will remain in the same interest rate mode.

  (c) The Trustee will give notice by first class mail to the Owners not less than 25 days before the Conversion Date. Such notice will state (A) that such Bonds are being converted, as sat forth in the notice from the City; (B) the Conversion Date; (C) the date and intended method by which the interest rate will be determined and the procedure, which may include the furnishing of a telephone number which Owners can call, for informing such Owners whether the conditions for Conversion bave been met and, if so, the applicable interest are mode will not be effective; (D) the intended Interest Payment Dates and the Purchase Dates, if any, after the Conversion Date; (B) that, for a Conversion to Fixed Rate Bonds, the Bonds will no longer be subject to purchase on demand by the Owner thereof; (F) if applicable, that the Credit Pacility, Liquidity Facility, or both, will no longer be in effect after the Conversion Date; (G) that every Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) must be delivered to the Trustee (at its designated office) not later than the Conversion Date or the next Business Day at its designated office) not later than the Conversion Date or the next Business Day it is the absence of such delivery, will be deemed to have been delivered and purchased; (H) the ratings to be in effect on the Conversion Date; (K) that every Outstanding Bond will be purchased by the Trustee on the Purchase Date; and (E.) that the Owners will not have the right to retain any Bonds after such Conversion Date.

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(d) During any Medium Term Rate Period, the Bonds are subject to optional redemption by the City, on or after the First Optional Redemption Date, in whole or in part at any time, less than all of such Bonds to be selected by lot or in such other manner as the Trustee or the City, as applicable, shall determine, on the redemption dates and at the redemption prices (expressed as percentages of principal amount) to be determined by the City on or prior to the Conversion Date commencing such Medium Term Rate Period provided that such prices do not reflect a redemption premium exceeding 3%.

- Mandatory Sinking Fund Redemption Provisions. As a sinking fund, on ust 1, 2036, the Trustee shall redeem \$1,910,000 of the Bonds maturing August 1, 2037, at a cof 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon redemption date.
- 10. Redemption of Purchased Bonds or Credit Provider Bonds Purchased Bonds owned by the Liquidity Purchaser or Credit Provider Bonds owned by the Credit Provider, as a result of a purchase under the Liquidity Facility or Credit Facility, as the case may be, are subject to redemption at the option of the City in whole or in part, on the second Business Day after notice to the Liquidity Purchaser or the Credit Provider, as the case may be, at a redemption notice to the Liquidity Purchaser or the Credit Provider, as the case may be, at a redemption price equal to the principal amount thereof plus interest due thereon as provided in the Liquidity Facility or Credit Facility, as applicable. Purchased Bonds and Credit Provider Bonds are subject to mandatory redemption at such times and in such amounts as specified in the related Liquidity Facility or Credit Facility, as the case may be.
- 11. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Bonds identified by the City as being subject to optional redemption, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustse, unless selected by the City, and so the manner as the Trustee in its discretion may determine; provided, however, the portion of such Blonds to be redeemed and the portion of such Bonds to be retained by the Owner thereof shall be in the principal amount of an Authorized Denomination for the Interest Period to which such Bonds are then subject, and provided further, any Bonds which are Purchased Bonds or Credit Provider Bonds shall be selected first. New Bonds representing the unredeemed balance of the principal amount of any such Bonds shall be issued to the registered Owner thereof, without charge therefor. Any new Bonds issued pursuant to this paragraph shall be executed by the City and authenticated by the Bond Registrar and shall be in any Authorized Denominations in an aggregate unpaid principal amount equal to the unredeemed portion of the Bonds surrendered.

# 12. Procedure for Redemption.

(a) The City shall give written notice to the Trustee and Bond Registrar of its election or direction to redeem the Bonds at least thirty-five (35) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee.

A copy of the notice of Conversion given to the Owners by the Trustee will also be given by the Trustee by Electronic Means to the City, the Bank and each Rating Agency then rating the

(d) Notwithstanding any other provision in this Indenture to the contrary, no conversion of the Interest Period shall occur if the City, not later than 10:00 a.m., New York City time, on the Business Day immediately preceding the applicable Conversion Date, directs the Remarketing Agent not to change the Interest Period by written notice, with a copy to the Trustee, the Paying Agent, and the Bank. If a proposed conversion of the Interest Period is cancelled pursuant to this subsection, all of the outstanding Bonds shall newtrates be tendered for purchase on the proposed Conversion Date and shall be purchased on the proposed Conversion Date, and in the case of Commercial Paper Bonds, Medium Term Rate Bonds and Indexed Put Rate Bonds, the Commercial Paper Periods, the Medium Term Rate Bonds and Indexed Put Rate Bonds, the Commercial Paper Periods, the Medium Term Rate Periods and the Indexed Put Rate Period, as applicable, shall be determined as set forth in paragraph 6 hereof.

#### 8. Optional Redemption.

- (a) The Daily Rate Bonds, Weckly Rate Bonds and Monthly Rate Bonds are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date.
- (b) The Indexed Put Rate Bonds are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date that is an Indexed Put Rate Reset Date, at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date.
- (c) While the Bonds bear interest at a Variable Rate, the City anticipates that it will cause the Bonds to be redeemed pursuant to this section, on August 1 in the years and in the principal amounts set forth below:

Year	Amount	Year	Amount
2008	\$485,000	2023	\$1,015,000
2009	515,000	2024	1,060,000
2010	535,000	2025	1,120,000
2011	565,000	2026	1,170,000
2012	590,000	2027	1,230,000
2013	625,000	2028	1,290,000
2014	655,000	2029	1,355,000
2015	685,000	2030	1,425,000
2016	720,000	2031	1,495,000
2017	755,000	2032	1,570,000
2018	795,000	2033	1,650,000
2019	835,000	2034	1,730,000
2020	875,000	2035	1,820,000

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- (b) In the event any of the Bonds are called for redemption, the Trustee shall give notice or cause the Bond Registrar to give notice, in the name of the City, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed, the date fixed for redemption, the Redemption Price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal office of the Bond Registrar and, if less than all of the Bonds are to be redeemed, the numbers of the Bonds so to be redeemed, and, if any of the Bonds are to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed amount in the principal amount thereof to be redeemed and the letter and number or other distinguishing max, of each such Bond, (ii) state any conditions to such redemption, and upon the satisfaction of any such conditions, the Bonds to be redeemed access to bear interest. Such notice may set forth any additional information relating to such redemption.
- (c) Notice of redemption of the Bonds shall be mailed or caused to be mailed, postage prepaid, by the Trustee (i) not less than thirty (30) days before the date fixed for redemption of Bonds, which have not been converted to a Fixed Interest Rate, and (ii) not less than thirty (30) days before the date fixed for redemption of Bonds, which have been converted to a Fixed Interest Rate, to the registered owners of any Bonds, or portions of Bonds, which are to be redeemed, at their addresses as they appear on the Record Date on the registration books kept by the Bond Registrar, Failure of the registered owners of any Bonds, which are to be redeemed are receive any such notice, shall not affect the validity of the proceedings for the redemption of Bonds for which proper notice has been given.

Any Bonds and portions of Bonds, which have been duly selected for redemption and which are deemed to be paid in accordance with their terms, shall cease to bear interest on the date fixed for redemption in the notice of redemption referred to in paragraph (b) of this paragraph 12.

## 13. Optional Demand Purchase; Mandatory Purchase.

- (a) Optional Demand Purchase for Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds and Medium Term Rate Bonds
- thereof, on any Business Day designated by the Owner thereof (a "Purchase Date"). Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Trustee (at its designated office) not later than 1:000 an., New York City Time, on the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Daily Rate Bond to be purchased, (B) state the Purchase Date on which such Daily Rate Bond will be purchased to the subsection, and (C) irrevocably request such purchase.
- (ii) Any Weekly Rate Bond will be purchased, on the demand of the Owner thereof, on any Business Day designated by the Owner thereof (a "Purchase Date") which is not less than seven days after the date notice of such demand is delivered in writing to the Trustee. Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in

writing and be delivered to the Trustee (at its designated office) not later than the seventh day before the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Weekly Rate Bond to be purchased, (B) state the Purchase Date on which such Weekly Rate Bond will be purchased pursuant to this subsection, and (C) irrevocably request such purch

- (iii) Any Monthly Rate Bond will be purchased, on the demand of the Owner thereof, on any Business Day designated by the Owner thereof (a "Purchase Date") which is not less than seven days after the date of such demand is delivered in writing to the Trustee. Any such purchase will be at the Purchase Price. To effect such purchase, then coincide must be in writing and be delivered to the Trustee (at its designated office) not later than the severalt day before the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Monthly Rate Bond to be purchased, (B) state the Purchase Date on which such Monthly Rate Bond will be purchased pursuant to this subsection, and (C) irrevocably request such purchase.
- and (C) irrevocably request such purchases.

  (iv) Any Medium Term Rate Bond will be purchased, on the demand of the Owner thereof, on the last Interest Payment Date in the Medium Term Rate Period therefor (a "Purchase Date") which demand shall not be less than 14 days prior to such Purchase Date. Any Such purchase United Purchase Pite. To effect such purchase, the notice must be in writing and be delivered to the Trustee (as its designated office) not later than the 14" days be in writing and be delivered to the Trustee (as its designated office) not later than the 14" days before the Purchase Date and shall (A) state the number and principal amount (or portion thereof in as Authorized Denomination) of such Medium Term Rate Bond to be purchased, (B) state the Purchase Date on which such Medium Term Rate Bond will be purchased pursuant to this subsection, and (C) irrevocably request such purchase. The Remarketing Agent will give notice by first class mail to the Owners not more than 45 days not less than 35 days before a Purchase Date for Medium Term Rate Bonds, which notice shall state (A) what the next Purchase Date is, (B) where and when the proposed rate after the next Purchase Date may be obtained and (C) that the Medium Term Rate Bonds are subject to tender of the Owner thereof as set forth in the resecoding sentence.
- (v) The Trustee will promptly provide the Remarketing Agent and the Paying Agent with telephonic notice of the receipt of the notice referred to in the preceding paragraphs, confirmed in writing or by facsimile.
- (vi) Any Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond or Mediu Term Rate Bond with regard to which demand is made as set forth in this subsection will deemed to have been tendered for purchase on any Purchase Date with respect thereto.
- (vii) The Indexed Put Rate Bonds are not subject to optional demand for
- Delivery of such Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond or Medium Term Rate Bond (with an appropriate transfer of registration executed-in-form-satisfactory to the Trustice) at the designated office of the Trustee at or prior to 10:700 a.m. (New York City time) on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on

All Boods will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in form satisfactory to the Trustee) at the designated office of the Trustee at or prior to 10:00 a.m., New York City time, on the Purchase Date will be required for payment in same ady funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as set forth purchase of all Bonds by the Trustee purchased under this paragraph 13 (d) will be effected only with funds described in Sections 208(b), (c) and (d) of the Indenture.

For purposes of the mandatory purchase contemplated by this paragraph 13(d), "Credit Expiration Date" will be deemed to include the effective date of any Additional Credit Facility or Alternate Liquidity Facility obtained by the City in connection with the Bonds. Additionally, for purposes of the mandatory purchase of this paragraph 13(d), "Credit Expiration Date" will be deemed to include the date which is 5 Business Days prior to the effective date of an Alternate Liquidity Facility for which the City has not roceived written evidence from the Rating Agencies then rating the Series 2007 Bonds that the then existing ratings on the Series 2007 Bonds will not change as a result of such substitution; provided, however, the Trustee shall provide written contoice to the Series 2007 Bond Owners as soon as practicable of such substitution regardless of whether or not the then existing ratings on the Series 2007 Bonds will change as a result of such substitution.

(e) Mandatory Purchase on Notice of Event of Default under the Credit Facility or Liquidity Pacility. If a Credit Facility or Liquidity Pacility is in effect and the Trustee receives written notice from the Credit Provider that an event of default under the Credit Pacility has occurred and is continuing or from the Liquidity Purchaser that an event of default under the Liquidity Facility has occurred and is continuing, and in either case, and directing the Trustee to call the Bonds for mandatory tender under this paragraph 15(c), then the Trustee shall set the mandatory tender date to occur no later than the fifth calendar day following the date the Trustee receives such notice of an event of default under the Credit Facility or Liquidity Facility and the Trustee shall send notice to all Owners of the Bonds that the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price on the date set forth in sid notice. After such notice is given, the Bonds will be subject to mandatory tender for purchase at the Purchase Price on the date set forth in sid notice. After such notice of the Purchase Price on the date set forth in sid notice.

All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect therein. Delivery of such Bonds (with an appropriate transfer of registration executed in blank in form satisfactory to the Trustee) at the designated effice of the Trustee at or prior to 10.00 a.m., New York City time, on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as set forth herein. Purchase of all Bonds by the Trustee purchased under this paragraph 13(e) will be effected only with funds described in Sections 208(b), (c) and (d) of the Indenture.

(f) Mandatory Purchase of Indexed Put Rate Bonds. Each Indexed Put Rate
Bond will be purchased, or deemed purchased, on the Indexed Put Date (a "Purchase Date") at
the Purchase Price. All Indexed Put Rate Bonds will be deemed to have been tendered for

such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except on surrender of such Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds or Medium Term Rate Bonds as set forth herein.

- (b) Mandatory Purchase of Commercial Paper Bonds. Each Commer then current Commercial Paper Period relating to such Commercial Paper Bond (a "Purcl Date") at the Purchase Price.
- All Commercial Paper Bonds will be deemed to have been tendered for purchase on each Rate Adjustment Date with respect thereto. Delivery of such Commercial Paper Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) at the designated office of the Trustee at or prior to 10:00 a.m., New York City Time, on the Rate Adjustment Date will be required for payment in same-day funds of the Purchase Price due on such Rate Adjustment Date. No Owner will be entitled to payment of the Purchase Price due on such Rate Adjustment Date except on surrender of such Commercial Paper Bonds as set forth herein. If, however, an Owner of Commercial Paper Bonds purchases such Bonds for successive Commercial Paper Periods, the Owner, on presentation of the Bonds as described herein, will receive interest and a new Commercial Paper Bond or Bonds for the next Commercial Paper Period with no exchange of cash in payment of the principal amount purchased differs from the amount surrendered.
- (c) Mandatory Purchase on Conversion Dates. On any Conversion Date with respect to any Series 2007 Bonds whether or not a Conversion occurs (or in each case the next Business Day, if not a Business Day) (a "Purchase Date"), such Bonds must be delivered to the Trustee for purchase (with all necessary endorsements) at the Purchase Price.
- All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in form satisfactory to the Trustee) at the designated office of the Trustee at or before 10:00 a.m., New York City Time, on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as set forth herein.
- (d) Mandatory Purchase on Credit Expiration Date. If a Credit Facility or Liquidity Facility is in effect, the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price no later than the Credit Expiration Date if the Trustee has not received evidence satisfactory to its by the 25° day preceding the Credit Expiration Date of either an extension of the then existing Credit Facility or Liquidity Facility, so the issuance of an Additional Credit Facility or Alternate Liquidity Facility, as the case may be, meeting the requirements of the Indenture. The Trustee will give notice 20 days prior to the expiration of the Credit Facility or Liquidity Facility, as the case may be, meeting the requirements of the Indenture. The Trustee will give notice 20 days prior to the expiration of the Credit Facility or Liquidity Facility to all Owners that the Bonds will be subject to mandatory tender to the Trustee for purchase at the Purchase Price on the date set forth in said notice. After such notice is given, the Bonds will thereafter be antiplect to mandatory tender for purchase at the Purchase Price on the date set forth in the notice (a "Purchase Date").

purchase on each Indexed Put Date with respect thereto. Delivery of such Indexed Put Rate Bond (with an appropriate transfer of registration executed in form satisfactory to the Trustee) at the designated office of the Trustee at or prior to 10:00 a.m., New York City time, on the Indexed Put Date will be required for payment in same-day funds of the Purchase Price due on such Indexed Put Date. No Owner will be entitled to payment of the Purchase Price due on such Indexed Put Date except on surrender of such Indexed Put Rate Bonds as reformed from the Put Indexed Put Rate Bonds as the Rate Bonds as the Surfessed Put Rate Period, No Owner of Indexed Put Rate Bonds as described berein, will receive interest and a new Indexed Put Rate Bond er Bonds for the next Indexed Put Rate Period with no exchange of each in payment of the principal thereof except to the extent the principal amount purchased differs from the amount surrendered.

- purchased differs from the amount surrendered.

  14. Bonds Deemed Tendered for Purchase. IF BONDS HAVE BEEN DEEMED TO HAVE BEEN DELIVERED FOR PURCHASE AS PROVIDED IN THE INDENTURE, THE AUTHENTICATING AGENT WILL AUTHENTICATE (AND THE CITY EXECUTE, IF NECESSARY) A NEW BOND. THE TRUSTEE WILL PROMPTLY GIVE NOTICE BY PIREST CLASS MAIL TO EACH REGISTERED OWNER WHOSE BONDS ARE DEEMED TO HAVE BEEN PURCHASE PURSUANT TO THE NIDENTURE, WITCH NOTICE BY WILL STATE THAT INTEREST ON SUCH BONDS CEASED TO ACCRUE ON THE APPLICABLE PURCHASE DATE AND THAT MONEYS REPRESENTING THE PURCHASE PURCHASE OF THE AVAILABLE AGAINST DELIVERY THEREOF AT THE DESIGNATED OFFICE OF THE PAYING AGENT WILL HOLD MONEYS RECEIVED FROM THE TENDER AGENT FOR THE PURCHASE OF BONDS IN TRUST AND UNINVESTED, WITHOUT LIABILITY FOR NITEREST THEREON, FOR THE BENIETT OF THE FORMER OWNER OF THE BOND ON SUCH PURCHASE DATE. WHO WILL THEREAFTER BE RESTRICTED EXCLUSIVELY TO SUCH MONEYS, FOR ANY CLAIM OF WHATEVER NATURE ON HISHER PART UNDER THE INDENTURE OR ON, OR WITH RESPECT TO, SUCH BOND.
- 15. Registration, Transfer and Exchange. The City will cause books for the registration and registration of transfer or exchange of the Bonds to be kept at the principal office of the Bond Registrar. The City appoints the Bond Registrar as its registrar and transfer agent to keep such books and to make registrations and registrations of transfer or exchange under such reasonable regulations as the City or the Bond Registrar may prescribe.

Upon surrender for registration of transfer or exchange of any Bond at the principal office of the Bond Registrar, the City will execute and the Bond Registrar will authenticate and deliver in the name of the transferce or transferces a new Bond or Bonds of like date, tenor and of any authorized donomination for the aggregate principal amount which the Owner is entitled to receive, subject in each case to such reasonable regulations as the City or the Bond Registrar may prescribe. All Bonds presented for registration of transfer, exchange, redemption of payments will be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and substance reasonably satisfactory to the Bond Registrar, duly executed by the registered Owner or by the Owner's duly authorized attorney-in-fact or legal representative. No Bond may be registered to bearer.

New Bonds delivered upon any transfer or exchange will be valid obligations of the City evidencing the same debt as the Bonds surrendered and entitled to their benefits to the same extent as the Bonds surrendered. Registrations of transfers or exchange will be made by the Bond Registrar within such time periods as are customary in the municipal securities industry.

Neither the City nor the Bond Registrar shall be required to (i) to transfer or exchange Bonds for a period of 20 days next preceding an interest payment date on such Bonds or next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption; or (ii) to transfer or exchange any Bonds called for redemption.

It is certified and recited that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to the insuance of this Bond have happened, exist or been performed in due time, form and manner as or equired and that the indebteness evidenced by this Bond is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

Mayor,
City of Norfolk, Virginia

By:
City Manager,
City of Norfolk, Virginia

By:
City Treasurer,
City of Norfolk, Virginia

[SEAL]

ATTEST:

Clerk of the Council, City of Norfolk, Virginia

Approved as to Form and Correctness:

Office of City Attorney City of Norfolk, Virginia

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IN WITNESS WHEREOF, the Council of the City of Norfolk, Virginia, has caused this Bond to be signed by the manual signatures of the Mayor, the City Treasurer and the City Manager of the City, the seal of the City to be affixed hereon and attested by the manual signature of the Clerk of the Council.

CITY OF NORFOLK, VIRGINIA

## CERTIFICATE OF AUTHENTICATION

The undersigned Bond Registrar hereby certifies that this is one of the Bonds of the City of Norfolk, Virginia, described in the within-mentioned Ordinances.

Authentication Date: August 27, 2009

By: \_\_\_\_\_Regions Bank, Bond Trustee

## ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF

SSIGNEE)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE:

the within Bond and does hereby irrevocably constitute and

\_, attorney, to transfer said Bond on the books kept for registration of said Bond, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

(NOTICE: Signature(s) must be guaranteed by an Eligible Guarantee Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union or Savings Association which is a Member of a medallion program approved by The Securities Association, Inc.)

(NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the books kept for registration of this Bond in every particular, without alteration or change.)

#### EXHIBIT A-2 [FORM OF FIXED RATE BOND]

This Bond shall not be valid or obligatory for any purpose unless and until authenticated at the foot hereof by the Bond Registrar.

at the root nercot by the Bonal registrar.

This Bond is one of the City's duly authorized General Obligation Variable Rate Dennard Bonds, Series 2007, re-issued in the aggregate principal amount of \$31,365,000 (the "Bonds"), of like date and tenor, except as to number, denomination, rate of interest, privilege of redemption and maturity, issued under the authority of and in full compliance with the Constitution and statutes of the Commonwealth of Virginia, and, more particularly, issued pursuant to the Public Finance Act of 1991, Chapter 26, Title 15,2 of the Code of Virginia of 1995, as amended, Ordinance No. 42,565 (the "Ordinance") adopted by the Council of the City (the "Council") on February 27, 2007 and Ordinance No. 43,575 (the "Amending Ordinance and together with the bond Ordinance, the "Ordinances") adopted by the Council on August 25, 2009. This Bond is re-issued and executed under and secured by an Amended and Restated Indenture of Trust dated as of August 1, 2009 (the "Indenture"), between the City and the Trustee.

The City is using the proceeds of the sale of the Bonds, along with other available City funds, to (a) finance the acquisition, construction, and equipping of an approximately 80,000 square foot cruise ship center, which will include docking areas and meeting space, to be owned and operated by the City and (b) pay the issuance costs of the Bonds.

The full faith and credit of the City are inevocably pledged for the payment of the principal of, premium, if any, and interest on this Bond in accordance with its terms. The Council of the City is authorized to and shall levy and collect annually, at the same time and in the same manner as other taxes of the City are assemed, level and collected, a tax upon all texable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, aufficient to pay when due the principal of, premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

The Bonds are subject to optional redemption by the City on or after August 1, 2015, in whole or in part at any time, at [THE REDEMPTION DATES AND REDEMPTION PRICES TO BE DETERMINED BY THE CITY PURSUANT TO SECTION 402 OF THE INDENTURE OF TRUST DATED MARCH 1, 2007, BETWEEN THE CITY AND REGIONS BANK 1.

If less than all of the Bonds identified by the City are called for redemption, the maturities of the Bonds to be redeemed shall be selected by the Director of Finance of the City in such manner as he or she in his or her discretion may determine. If less than all of the Bonds of any maturity are called for redemption, the Bonds or portions thereof to be redeemed within a maturity shall be selected by lot in such manner as the Director of Finance may determine, with each portion of \$5,000 principal amount being counted as one Bond for such purpose.

If any of the Bonds or portions thereof are called for redemption, the Bond Registrar shall send notice of the call for redemption identifying the Bonds or portions thereof to be redeemed by serial number and CUSIP number, the redemption date and price and the place where Bonds are to be surrendered for payment, by registered or certified mail not less than thirty days nor

#### [FORM OF FIXED RATE BOND]

No. R-

CUSIP

#### UNITED STATES OF AMERICA COMMONWEALTH OF VIRGINIA

#### CITY OF NORFOLK, VIRGINIA GENERAL OBLIGATION VARIABLE RATE DEMAND BONDS, SERIES 2007

ISSUE DATE	REISSUE DATE	MATURITY DATE	INTEREST RATE
March 29, 2007	August 27, 2009	August 1, 2037	%
REGISTERED OWNER	t: CEDE & CO.		
PRINCIPAL AMOUNT		AND 00/10	0 DOLLARS
	(S)		

The CITY OF NORFOLK, VIRGINIA (the "City"), for value received, acknowledges itself indebted and promises to pay to the registered owner of this Bond or such owner's attorney or legal representative the principal amount stated above on the maturity date set forth above and to pay interest on the principal amount of this Bond at the rate specified above, subject to redemption, per annum, payable semi-annually on each August 1 and February 1. This Bond shall bear interest set forth above from and including the issue date set forth above, provided that, if at the time of authentication of this Bond interest on this Bond is in default, this Bond shall bear interest from the date to which interest has been paid. Principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America.

The principal of this Bond is payable upon presentation and surrender hereof at the office of Regions Bank, as Bond Registrar and Paying Agent (the "Bond Registra"). Interest on this Bond is payable by check or draft mailed to the registred owner hereof without presentation of this Bond at such owner's address as it appears on the registration books maintained by the Bond Registrar or the fifteenth day of the month preceding each interest payment date. If and for so long as The Depository Trust Company ("DTC") or Cede & Co. or any other nomince of DTC is the registred owner of all of the Bonds (as defined below), the principal of and permium, if any, and interest on this Bond shall be paid pursuant to the additional requirements set forth in the City's Letter of Representations to DTC, as it may be amended from time to time (the "Letter of Representations").

Interest on this Bond shall be computed on the basis of a year of 360 days and twelve 30day months.

19787026.3

more than sixty days before the redemption date to the registered owner of each Bond to be redeemed at such owner's address as it appears on the registration books maintained by the Bond Registrar and, if DTC, Cede & Co. or any other nominee of DTC is registered owner of the Bonds to be refunded, in accordance with any additional requirements under the Letter of Representations. Any failure to mail such notice to any one or more registered owners shall not affect the validity of the proceedings for redemption with respect to any registered owners when such notice was properly mailed. Provided funds for their redemption are on deposit at the place of payment on the redemption date, all Bonds or portions thereof so called for redemption shall cease to bear interest on such date, shall no longer be secured by the Ordinance and shall not be deemed to be outstanding. If a portion of this Bond shall be called for redemption, a new Bond in principal amount equal to the unredeemed portion hereof will be issued to the registered owner upon the surrender of this Bond.

The Bonds are issuable as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Any Bond may be exchanged for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations at the principal office of the Bond Registrar.

Upon surrender for transfer or exchange of this Bond at the principal office of the Bond Registrar, the City shall execute and the Bond Registrar shall authenticate and deliver in the name of the registered owner and/or the transferer or transferers, as appropriate, a new Bond or Bonds of any sutherized denomination in an aggregate principal amount equal to, and of the same form and maturity and bearing interest at the same rate, as this Bond, subject in each case to such reasonable regulations as the Council and the Bond Registrar may presente. All Bonds presented for transfer or exchanges shall be accompanied by a written instrument or instruments of transfer or sutherization for exchange, in form and substance reasonably salisfactory to the Bond Registrar, duly executed by the registered owner or by his or her duly authorized attorney. In-fact or legal representative. No Bond may be registered to beater. Any such exchange or transfer shall be at the expense of the City, except that the Bond Registrar may require payment by the person requesting such exchange or transfer of a sum sufficient to cover any tax or other governmental charge which may be imposed with respect to the exchange or transfer of as Bond.

The City may designate a successor Bond Registrar and/or Paying Agent, provided that written notice specifying the name and location of the principal office of any such successor shall be given to the registered owner of each of the Bonds. Upon registration of transfer of this Bond, the Bond Registrar shall furnish written notice to the transferre of the name and location of the principal office of the Bond Registrar and/or the Paying Agent.

The Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of the principal and interest and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as the owner on the registration books on the fifteenth day of the month preceding each interest payment date.

It is certified and recited that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to the

issuance of this Bond have happened, exist or been performed in due time, form and manner as so required and that the indebtedness evidenced by this Bond is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

CERTIFICATE OF AUTHENTICATION

The undersigned B the City of Norfolk, Virgin	ond Registrar l	hereby of the with	rtifies that this is one of a series of Bonds of in-mentioned Ordinance.
Authentication Date:	, 20		
		By:	
		17.56	Regions Bank Bond Registrar

#### CITY OF NORFOLK, VIRGINIA

	Ву:	Mayor, City of Norfolk, Virginia	
	Ву:	City Treasurer, City of Norfolk, Virginia	
	Ву:	City Manager, City of Norfolk, Virginia	
[SEAL]			
ATTEST:			
Clerk of the Council, City of Norfolk, Virginia			
Approved as to Form and Correctness:			
Office of City Attorney City of Norfolk, Virginia			

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ASS	SIGNMENT
FOR VALUE RECEIVED, the undersigned	sells, assigns and transfers unto
(PLEASE PRINT OR TYPEWRITE NAME ASSIGNEE)	AND ADDRESS, INCLUDING ZIP CODE, OF
PLEASE INSERT SOCIAL SECURITY OF IDENTIFYING NUMBER OF ASSIGNEE:	
the within Bond and does hereby irrevocably appoint	y constitute and
the books kept for registration of said Bond,	, attorney, to transfer said Bond of with full power of substitution in the premises.
Dated:	
Signature Guaranteed:	
(NOTICE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union or Savings Association which is a Member of a medallion program	(NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the books kept for registration of this Bond in every particular, without alteration or change.)

#### EXHIBIT B

#### CONSENT OF REMARKETING AGENT AS BONDHOLDER TO AMENDMENTS TO THE INDENTURE OF TRUST

The undersigned officer certifies that Morgan Keegan & Company, Inc. (the "Remarketing Agent") is the holder of all of the outstanding General Obligation Variable Rate Demand Bonds, Series 2007 (the "Bonds"), issued by the City of Norfolk, Virginia (the "City").

The Bonds are issued pursuant to an Indenture of Trust dated as of March 1, 2007 (the "Indenture"), between the City and Regions Bank, as trustee (the "Trustee"). As the holder of the Bonds, the Remarketing Agent hereby gives its consent to the amendments to the indenture set forth in the Amended and Restated Indenture of Trust dated as of August 1, 2009, between the City and the Trustee.

Dated: August \_\_, 2009

	By:		

MORGAN KEEGAN & COMPANY, INC.

#### THE LLOYDS TSB BANK GROUP

#### "Disclosure Statement"

Lloyds TSB Bank ple (the "Bank") is a wholly-owned subsidiary of Lloyds TSB Group ple ("Lloyds Group"). The Bank and its subsidiaries (the "Bank's Group") comprise one of the leading United Kingdom-based financial services group, whose businesses provide a wide range of banking and financial services in the United Kingdom and overseas.

At the end of 2007, total consolidated assets of Lloyds Group were approximately £353 billion. The total number of persons employed by Lloyds Group and its subsidiaries was approximately 70,000.

As at the end of 2007, the activities of the Bank's Group are organized into three divisions described below:

#### UK Retail Banking

UK Retail Banking provides banking and financial services to some 16 million personal customers through over 2,000 branches throughout the United Kingdom.

#### Insurance and Investments

Insurance and Investments offers life assurance, pensions, and investment products, general insurance and fund management services.

#### Wholesale and International Banking

Wholesale and International Banking provides banking and related services for major United Kingdom and multinational companies and financial institutions, and small and mediumsized United Kingdom businesses. It also provides asset finance services to personal and corporate customers, manages the Bank's Group's activities in financial markets through its treasury function and provides banking and financial services in some overstax location.

On September 18, 2008, the boards of directors of Lloyds Group and HBOS ple ("HBOS") announced that they had reached agreement on the terms of a recommended acquisition of HBOS by Lloyds Group by way of a scheme of arrangement (the "Scheme"). On January 16, 2009, Lloyds Group announced that: (i) the Scheme by which its acquisition of HBOS pic was being implemented had become effective in accordance with its terms and (ii) it had, following the Scheme becoming effective and as approved by its shareholders at its General Meeting held on November 19, 2008, changed its legal name from Lloyds TSB Group ple to Lloyds Banking Group ple.

On January 19, 2009, Lloyds Group announced inter alia, the successful completion of the acquisition of HBOS.

#### Availability of Public Information

The Bank will provide, upon request; to each person to whom this Official Statement is delivered a copy of the most recently available (i) Annual Report and Accounts of the Bank and Lloyds Group (ii) Annual Report on Form 20 for Lloyds Group. Written requests should be directed to the Bank at 121 Avenue of the Americas, 39th Floor, New York, New York 10020; Attention: Structured Finance.

APPENDIX E

The Lloyds TSB Bank Group Disclosure Statement

Additional information (including full copies of each such Report and Accounts) is available from the Lloyds Group web site at <a href="https://www.investorrelations.lloydsbankinggroup.com">https://www.investorrelations.lloydsbankinggroup.com</a>. The acquisition of HBOS is more fully described by the information filed or submitted by Lloyds Group with the U.S. Securities and Exchange Commission.

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### APPENDIX B OFFICIAL STATEMENT DATED OCTOBER 17, 2013



NEW BSSUE

Book-Entry Only

Norfolk .

General Obligation \$130,990,000

\$81,715,000

General Obligation Conservation Bonds Qualified Energy \$2,470,000

Bonds Ratings: Moody's And S&P AA+ Ratings" herein) Fitch AA+

(See "Ratings" hervin)

CITY OF NORFOLK, VIRGINIA

Dated: Date of Delivery

2013

Series 2013A (Tax-Exempt) Capital Improvement and Refunding Bonds,

Series 2013B (Taxable) Capital Improvement and Refunding Bonds, General Obligation

Series 2013C (Taxable)

Due: August 1, as shown on the inside front cover

The City of Norfolk, Virginia (the "City"s, prepared this Official Stammin to provide information on the above-seferenced 2013 Route, 2011 Route, and 2012 Boats (selectively, the "Breaks"). This cover page presents a summary of selectively information for your convenience and does not provide a repoplete discription of the Boats. To make an informat decision regarding the Route, this official Stammer should be could in the currency.

for Matters

novermor, event of 1990, as strended, and (ii) to not a questile timo of tax preference for purposes of the federal illerentative traininent tax imposed on individuals and representation. However, interest in the 2017A Bonds must be included in the allipsied starvent entempty of derina exponitation for propriets of (vengatifie) for federal alternative infinition for an imposed on such vergonition and may be subject to other federal insume tos consequences as absorpted to "TAX MACTISES, 333 JA BONDS. In the opinion of Throat Cramed, ander surreal how and associating the remainlance with certain economists by and the accounts yet certain representations and certifications of the City and other persons and aesticae described in the section berein TAX MACTERS 2013A BONDS interest to the 2013A Boarts (i) is auxhtdadith from the graws income of the towners thereof for fasteral moome sax purposes under Section 100 of the Internal

includible in gittist incurse flix factual income tax purposes, see "IAX MATTERS-2018 floxics AND 201XC BONDS \* Bood Cosmid is further of the opinion that interest on the floxis is excludable from give between five purposes in cardiadable from give between five purposes of interest taxisfies by the Commonwealth of Virginia. Bond Counter expresses in spation regarding any other law comequitors related to the owicoship or disposition of, or the actual architect and, the flowing for the actual in TAX MATTERS-2018 BONDS and "TAX MATTERS-2018 BONDS" and "TAX MATTERS-2018 BONDS" and "TAX In the opinion of Bond Counsel, under current law, interest on the 2013B Bonds and the 2011C Bonds in

time of the City, See the extrao bennii "SECURITY FOR AND SOCRCES OF

MYMENT OF THE BONDS.

See inside from pages and see the section "DESCHAPTION OF THE BONDS Studempass Previous", for a lescription of the redemplom previsions with respect to the Brash

Ordinance: No. 48,247 and Ordinance No. 48,292, adopted by the City Compil of the City on September 10. 2013, and October R. 2013, respectively The prescribt of the Bonds, imperher-with other available funds, will be used 0+13 from a capital projects. (ii) nd certain relationaling bond anticipation notes and parking system recomes bonds of the City, and (iii) pay underwriters' discount and crists of issuance of the Bonds. See the section benefit "APPLICATION OF PROCEEDS OF THE BONDS,\*

furerest on the Boods will be payable sent-annually on February. Faul August 1, commencing February 7. Interest Payment Dates

Book-Entry Ohly, The Depositive That Company. See the Appendix D. 1000K-ENTRY ONLY SYSTEM. On or about November 7, 2013. Closing/Delivery Date Registration

McGuintWoods LLP, Richmond, Virginia. Bond Coursel

Kauman & Canoles, a Professional Corporation, Norfolk, Virginia Underwriters' Counsel

Public Fernicial Management, Inc., Arlenguin, Virginia, Flumini Advisor

Director of Farance of the City. (757) 864-4346. Director of France of the City, Registrar/Paying Agent

Issuer Contact

**BofA Merrill Lynch** 

Raymond James

Wells Fargo

Securities

Brandford Shank & Co., L.L.C. Siebert

J.P. Morgan

Citigroup

Dated, October 17, 3013

## CITY OF NORFOLK, VIRGINIA

### General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt) \$130,990,000

## (Base CUSIP Number 655867)\*\*

# MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS

### \$121,825,000 Serial 2013A Bonds

"disilo	Suffix																							
	Yield	0.180	0.350	0.650	1.020	1.420	1.800	2.150	2.460	2.700	2.900	3.140	3.300	3,460	3.610	3.740	3.870	3.990	4.140	4.070	4.150	4.350	4.280	4.430
	Price	101.333%	104.575	109.060	114.541	116,330	117.354	117.773	117.784	117.783	117.693	115.490	114.049	112.629	111.317	110.195	109.086	108.074	98.316	107.406	106.743	99.336	105.676	97.569
Interest	Rate	2.000%	3.000	4.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	4.000	5.000	5.000	4.300	5.000	4.250
Princinal	Amount	\$ 1,645,000	1,640,000	1,630,000	4,680,000	7,265,000	7,275,000	7,280,000	4,760,000	4,725,000	4,735,000	4,455,000	4,455,000	5,005,000	5,005,000	8,805,000	7,280,000	6,410,000	1,295,000	10,685,000	10,845,000	4,680,000	4,470,000	2,800,000
Year Of Maturity	(August 1)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2030	2031	2032	2033	2034	2034

57,430,000 5,000% Term 2013A Bonds due August 1, 2038, Priced at 103.978% to yield 4,490% CUSIP" Suffix: RL5

51,735,000 4.625% Term 2013A Bonds due August 1, 2043, Priced at 98,326% to yield 4,730% CUSIP" Suffix: RM3

Priced to first optional redemption date of August 1, 2023.
A registered trademark of the ARA, used by S&P in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the City, and the City is not responsible for the electron or see of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bendhoders and no representation is made as to the conventions or such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of any securities on the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Colficial Studential to effect any change or correction in the CUSIP numbers set forth above.

### OPTIONAL REDEMPTION

The 2013A Bonds maturing on or before August 1, 2023, are not subject to optional redemption prior to maturity. The 2013A Bonds maturing on or after August 1, 2024, are subject to redemption prior to their respective maturities on or after August 1, 2023, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2013A Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

## MANDATORY SINKING FUND REDEMPTION

The 2013A Bonds maturing on August 1, 2038, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2013A Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

Amount	\$ 255,000	265,000	280,000	6,630,000
Year	2035	2036	2037	2038

Final Maturity

The 2013A Bonds maturing on August 1, 2043, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2013A Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

2040 330,000 2041 350,000 2042 350,000 2043 375,000
--

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## CITY OF NORFOLK, VIRGINIA

# S81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable)

## (Base CUSIP Number 655867)\*

# MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS

### \$47,050,000 Serial 2013B Bonds

CUSIP*	RQ4	RR2	RS0	RT8	RUS	RV3	RWI	RX9	RY7	RZ4	SA8	SB6	SC4	SD2
Yield	0.280%	0.429	0.986	1.521	1.941	2,444	2.764	3.085	3.365	3.565	3.765	3.965	4.115	4.265
Price	100.000%	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100,000	100.000
Interest Rate	0.280%	0.429	9860	1.521	1.941	2,444	2.764	3.085	3.365	3.565	3.765	3.965	4.115	4.265
Principal Amount	\$1,865,000	1,980,000	3,095,000	3,320,000	3,145,000	3,580,000	3,475,000	3,220,000	3,850,000	3,810,000	3,550,000	4,220,000	4,075,000	3,865,000
Year Of Maturity (August 1)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027

\$3,890,000 4.755% Term 2013B Bonds due August 1, 2030, Priced at 100.000% to yield 4.755% CUSIP\* Suffix: SE0

\$30,775,000 4.955% Term 2013B Bonds due August 1, 2037, Priced at 100.000% to yield 4.955% CUSIP\* Suffix: SF7

# [REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**(ii)** 

A registered trademark of the ABA, used by S&P in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP numbers have been assigned by an optimization and ralizated with the City, and the City is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondhoders and no representation is made as to the correctness of such CUSIP numbers. The CUSIP numbers assigned to securities may be changed during the term of such securities or the current of the correctness of such cut numbers. CUSIP numbers. Says assigned to securities may be changed during the term of such securities the term of such securities or the of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or convection in the CUSIP numbers set forth above.

### TONAL REDEMPTION

Prior to August 1, 2023, the 2013B Bonds are subject to redemption at the option of the City on any date prior to their maturity, in whole or in part (in increments of \$5,000), at a redemption price equal to the greater of:

the price set forth above (but not less than 100%) of such 2013B Bonds to be redeemed; or

(a)

(b) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the 2013B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption (the "Scheduled Redemption Date") of such 2013B Bonds, discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, as hereinafler defined, plus 20 basis points.

plus, in each case, the unpaid interest accrued thereon to the Scheduled Redemption Date.

Definition of Treasury Rate. "Treasury Rate" means, with respect to any Scheduled Redemption Date for a particular Bond, the yield to maturity as of such Scheduled Redemption Date of United States Department of the Treasury ("Treasury") securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (139) that has become publicly available at least two business days, but on more than 45 days, prior to the Scheduled Redemption Date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the Scheduled Redemption Date to the maturity date is the sold to be redeemed; provided, however, that if the period from the Scheduled Redemption Date to the maturity date is less than one year, the weekly average yield on actually traded Treasury securities adjusted to a constant maturity of one year will be used.

Calculation of Redemption Price. The redemption price of any 2013B Bonds to be redeemed by optional or extraordinary optional redemption will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

The 2013B Bonds maturing on or after August 1, 2024, are subject to redemption prior to their respective maturities on or after August 1, 2023, at the option of the City, in whole or in part (in increments of \$\$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2013B Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

## MANDATORY SINKING FUND REDEMPTION

The 2013B Bonds maturing on August 1, 2030, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2013B Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

2029 2030 \$2,275,000 2030 1,615,000

(ix)

The 2013B Bonds maturing on August 1, 2037, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2013B Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

Amount	\$6,935,000	1,005,000	7,455,000	7,250,000	8,130,000	
Year	2033	2034	2035	2036	2037	

Final Maturity

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### CITY OF NORFOLK, VIRGINIA \$2,470,000

### General Obligation Qualified Energy Conservation Bonds, Series 2013C (Taxable)

## (Base CUSIP Number 655867)

# MATURITY, AMOUNT, INTEREST RATE, PRICE AND YIELD

\$2,470,000 4.855% Term 2013C Bonds due August 1, 2032, Priced at 100.000% to yield 4.855% CUSIP\* Suffix: SG5

Optional Redemption of the 2013C Bonds. The 2013C Bonds are subject to redemption at the option of the City on any date prior to their maturity, in whole or in part (in increments of \$5,000), at a redemption price equal to the greater of:

- the price set forth above (but not less than 100%) of such 2013C Bonds to be redeemed; or
- (b) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the 2013C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the Scheduled Redemption Date of such 2013C Bonds, discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, as hereinafter defined, plus 20 basis points;

plus, in each case, the unpaid interest accrued thereon to the Scheduled Redemption Date.

Mandatory Sinking Fund Deposits. The 2013C Bonds are subject to mandatory sinking fund deposits in part, on August 1 in the years and in the amounts set forth below:

Amount	\$305,000	310,000	285,000	335,000	340,000	340,000	205,000	350,000	
Year	2024	2025	2027	2028	2029	2030	2031	2032	

Final Maturity

Extraordinary Optional Redemption of the 2013C Bonds. On any day on or after the occurrence of an Extraordinary Event, as hereinafter defined, the 2013C Bonds are subject to redemption prior to their maturity at the option of the City, in whole or in part (in increments of \$5,000), at a redemption price equal to the greater of:

- the price set forth above (but not less than 100%) of such 2013C Bonds to be redeemed; or
- (b) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the 2013 CS Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the Scheduled Redemption Date for such 2013 C Bonds, discounted to such Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points;

(vj)

plus, in each case, unpaid interest accrued on the 2013C Bonds to be redeemed to the Scheduled Redemption Date.

Definition of Extraordinary Event. An "Extraordinary Event" means an event after which the City determines that a material adverse change has occurred to Sections 544, 34D or 6431 of the Internal Revenue Code of 1986, as amended, or there is any guidance published by the Internal Revenue Sevice (nef "IRS") or the Treasury with respect to such sections or any other determination by the IRS or the Treasury, which determination is not the result of any act or omission by the City, pursuant to which the City's interest subsidy payments from the Treasury are reduced or eliminated.

Calculation of Redemption Price. The redemption price of any 2013C Bonds to be redeemed by optional or extraordinary optional redemption will be determined by an independent accounting firm, investment banking firm or filmonial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

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(vii)

A registered trademark of the ABA, used by S&P in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP numbers have been assigned by an organization not affiliated with the CUSIA must responsible for the selection on two of the CUSIP must best. The CUSIP numbers are included solely for the convenience of boundoders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defensance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no dary or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

## CITY OF NORFOLK, VIRGINIA

### CITY COUNCIL

Paul D. Fraim, Mayor Anthony L. Burfoot, Vice Mayor

Andrew A. Protogyrou Paul R. Riddick Thomas R. Smigiel

Dr. Theresa W. Whibley Angelia M. Williams Barclay C. Winn

### CITY OFFICIALS

Marcus D. Jones, City Manager Alice M. Kelly, CPA, Director of Finance Bernard A. Pishko, City Attorney

BOND COUNSEL

FINANCIAL ADVISOR

Public Financial Management, Inc.

Arlington, Virginia

McGuireWoods LLP Richmond, Virginia

L

THE BONDS ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE BONDS ARE ALSO EXEMPT FROM REGISTRATION UNDER THE SECURITIES LAWS OF THE COMMONWEALTH OF VIRGINIA.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GUYEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER, SOLICITATION OR SHALL THERE BE ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE AN OFFER, SOLICITATION OR SALE. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE CITY AND THE PURCHASERS OR OWNERS OF ANY OF THE BONDS. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBBECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT ONR ANY SALE MADE UNDER IT WILL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFARS OF THE CITY SINCE THE RESPECTIVE DATES AS OF WHICH INFORMATION IS GIVEN HEREIN.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., J. P. Morgan Securities LLC, Raymond James & Associates, Inc., Siebert Brandford Shank & Co., L.L.C. and Wells Fargo Bank, National Association (collectively, the "Underwriters") may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (i) overallot in arranging the sales of the Bonds and (ii) make purchases in sales of the Bonds, for long or short accounts, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the Underwriters may determine. Such stabilization, if commenced, may be discontinued at any time.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words, "estimate, "project," "anticipate," "expect," "intended to identify forward-looking statements. A number of important factors affecting the City's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

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### OFFICIAL STATEMENT

### Relating to the Issuance of

## CITY OF NORFOLK, VIRGINIA

\$130,990,000	General Obligation	Capital Improvement	and Refunding Bonds,	Series 2013A (Tax-Exempt)

S81,715,000
General Obligation
Capital Improvement
and Refunding Bonds,
Series 2013B (Taxable)

Series 2013C (Taxable)

S2,470,000 General Obligation Qualified Energy

#### PART I THE BONDS

The purpose of this Official Statement, including the financial information contained in Appendix A attached hereto, is to furnish information in connection with the sale by the City of Norfolk, Virginia (the "City"), of its \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt) (the "2013A Bonds"), \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) (the "2013B Bonds") and \$2,470,000 General Obligation Qualified Energy Conservation Bonds, Series 2013C (Taxable) (the "2013C Bonds" and together with the 2013A Bonds and the 2013B Bonds, the "Bonds").

The Bonds will be general obligations of the City to the payment of which the full faith and credit of the City are pledged. This Official Statement has been authorized by the City for use in connection with the sale of the Bonds.

The City has undertaken in the Ordinance, as hereinafter defined, to comply with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") and as in effect on the date hereof, by providing annual financial information and notice of certain enumerated events required by the Rule. See Appendix C "FORM OF CONTINUING DISCLOSURE AGREEMENT."

All financial and other information presented in this Official Statement has been provided by the City from its records except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not intended, unless specifically stated, to informate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

## DESCRIPTION OF THE BONDS

#### General

The Bonds shall be dated the date of delivery and shall be payable in annual installments, subject to prior redemption, in the principal amounts and at the rates set forth on the inside pages of this Official Statement. Interest I on the Bonds will be payable semi-annually on February 1 and August 1, commencing February 1, 2014.

# Designation of 2013C Bonds as Qualified Energy Conservation Bonds and Specified Tax Credit Bonds

The City will designate and issue the 2013C Bonds as "qualified energy conservation bonds" ("Qualified Energy Conservation Bonds") as such term is defined in Section 54D of the Internal Revenue Code of 1986, as amended (the "Code") and will irrevocably elect to treat the 2013C Bonds as "specified tax credit bonds" ("Specified Tax Credit Bonds") as defined in Section 6431(f) of the Code. Section 6431(f) of the Code authorizes an issuer of a Specified Tax Credit Bond periodically to receive a refundable credit under Section 6431 of the Code (the "Interest Subsidy Payment") in lieu of providing a federal tax credit to the owner of such bond.

### Redemption Provisions

Optional Redemption of the 2013A Bonds. The 2013A Bonds maturing on or before August 1, 2023, are not subject to optional redemption prior to maturity. The 2013A Bonds maturing on or after August 1, 2024, are subject to redemption prior to their respective maturities on or after August 1, 2023, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2013A Bonds to be redeemed, plus the unpaid interest accuract thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption of the 2013A Bonds. The 2013A Bonds maturing on August 1, 2038, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2013A Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

\$ 255,000
265,000
280,000
6,630,000

-2-

The 2013A Bonds maturing on August 1, 2043, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2013A Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

|--|

Optional Redemption of the 2013B Bonds. Prior to August 1, 2023, the 2013B Bonds are subject to redemption at the option of the City of any date prior to their maturity, in whole or in part (in increments of \$5,000), at a redemption price equal to the greater of:

- the price set forth on page (iii) (but not less than 100%) of such 2013B Bonds to be redeemed; or
- the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the 2013B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date fixed for the redemption of such 2013B Bonds (the redemption Date"), discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 20 basis points,

plus, in each case, the unpaid interest accrued thereon to the Scheduled Redemption Date.

For purposes of this Official Statement, the term "Treasury Rate" means, with respect to any Scheduled Redemption Date for a particular Bond, the yield to maturity as of such Scheduled Redemption Date for a particular Bond, the yield to maturity as of such Scheduled Redemption Date of United States Department of the Treasury ("Treasury") securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reseave Statistical Release H.15 (519) that has become publicly available at least two business days, but no more than 45 days, prof to the Scheduled Redemption Date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the Scheduled Redemption Date to the Bond to be redeemed; provided, however, that if the period from the Scheduled Redemption Date to such maturity date is less than one year, the weekly average yield on actually traded Treasury securities adjusted to a constant maturity of one year will be used.

The 2013B Bonds maturing on or after August 1, 2023, are subject to redemption prior to their respective maturities on or after August 1, 2023, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such 2013B Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption of the 2013B Bonds. The 2013B Bonds maturing on August 1, 2030, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2013B Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

\$2.275.000	1,615,000	000	
Year 2029	2030		Timel Maturita

The 2013B Bonds maturing on August 1, 2037, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such 2013B Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption:

	Final Maturity
8,130,000	2037
7,250,000	2036
7,455,000	2035
1,005,000	2034
\$6,935,000	2033
Amount	Year

Optional Redemption of the 2013C Bonds. The 2013C Bonds are subject to redemption at the option of the City of any date prior to their maturity, in whole or in part (in increments of \$5,000), at a redemption price equal to the greater of:

- the price set forth on page (v) (but not less than 100%) of such 2013C Bonds to be redeemed; or
- (2) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the 2013C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the Scheduled Redemption Date of such 2013C Bonds, discounted to the Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 20 basis points;

plus, in each case, the unpaid interest accrued thereon to the Scheduled Redemption Date.

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Mandatory Sinking Fund Deposits for the 2013C Bonds. The 2013C Bonds are subject to mandatory sinking fund deposits in part, on August 1 in the years and in the amounts set forth below:

Amount	\$305,000	310,000	285,000	335,000	340,000	340,000	205,000	350,000
Year	2024	2025	2027	2028	2029	2030	2031	2032

Final Maturity

Extraordinary Optional Redemption of the 2013C Bonds. On any day on or after the occurrence of an Extraordinary Event, as hereinafter defined, the 2013C Bonds are subject to redemption prior to their maturity at the option of the City, in whole or in part (in increments of \$5,000), at a redemption price equal to the greater of:

- the price set forth on page (v) (but not less than 100%) of such 2013C Bonds to be redeemed; or
- the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the 2013C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the Scheduled Redemption Date for such 2013C Bonds, discounted to such Scheduled Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points; plus, in each case, unpaid interest accrued on the 2013C Bonds to be redeemed to the Scheduled Redemption Date.

For purposes of this Official Statement, the term "Extraordinary Event" will have occurred if the City determines that a material adverse change has occurred to Sections 54A, 54D or 6431 of the Code, or there is any guidence published by the Internal Revenue Service (the "IRS") or the Treasury with respect to such sections or any other determination by the IRS or the Treasury, which determination is not the Treasury act or omission by the City, pursuant to which the City's Interest Subsidy Payments from the Treasury are reduced or eliminated.

Calculation of Redemption Price. The redemption price of any 2013C Bonds to be redeemed by optional or extraordinary optional redemption will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Manner of Redemption. If less than all of the Bonds are called for redemption, the maturities of such Bonds to be redeemed shall be selected by the Director of Finance of the City in such manner as he or she in his or her discretion may determine. So long as a book-entry system is used for determining beneficial ownership of the Bonds, if less than all of the Bonds within a maturity are to be redeemed, The Depository Trust Company, New York, New York ("DTC") and its participants shall determine which of such Bonds within a maturity are to be redeemed.

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Notice of Redemption. Any notice of optional redemption of any of the Bonds may state that it is conditioned upon there being available on the date fixed for redemption an amount of money sufficient to pay the redemption price plus interest accrued and unpaid to such date, and any conditional notice so specified is not satisfied. If a redemption does not occur after a conditional notice is given may be rescinded at any time before the payment of the redemption price of any such conditions a specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the City, the corresponding notice of redemption shall be deemed to be revoked. The City may rescind any redemption of the Bonds and notice thereof on any date prior to the scheduled redemption date by causing written notice of such rescission to be given to the Owners of such Bonds so called for redemption. Notice of the rescission of any such redemption of the Bonds shall be given in the same manner in which notice of redemption of such Bonds was originally given. The actual receipt by the Beneficial Owner (as defined in Appendix D) of any Bond of notice of such rescission shall not affect the validity of the rescission, and failure to receive such notice or any deflect in such notice shall not affect the validity of the rescission,

Notice of redemption shall be given by certified or registered mail to DTC or its nominee as the registered owner of the applicable Bonds. Such notice shall be mailed not more than 60 days nor less than 30 days before the date fixed for redemption. The City will not be responsible for mailing notices of redemption to the Beneficial Owners of the applicable Bonds.

# Special Redemption Considerations for the 2013C Bonds

The Code requires that the City redeem the portion of the 2013C Bonds in an amount equal to the unexpended Available Project Proceeds, as hereinafter defined, on November 7, 2016 (unless such date is extended by the IRS for up to an additional two years). This redemption will be effected through the optional redemption provisions described in "DESCRIPTION OF THE BONDS – Redemption Provisions-Optional Redemption" above (and not pursuant to the redemption provisions relating to an Extraordinary Event described above). The City anticipates expending all of the Available Project Proceeds of the 2013C Bonds within three years of the date of issuance. However, there can be no assurance that all such proceeds will be expended prior to the date that would require the City to exercise its right to cause the optional redemption of the applicable portion of the 2013C Bonds to maintain the status of the 2013C Bonds as Qualified Energy Conservation Bonds. "Available Project Proceeds' means of 32,470,000.00] over (81) the issuance costs of the 2013C Bonds to be paid from such proceeds (or \$54,940,000), and (ii) the proceeds derived from any investment of the excess described in clause (1) of 44,640,000), and (ii) the proceeds derived from any investment of the excess described in clause (1) of

# Restriction on Defeasance of the 2013B Bonds and the 2013C Bonds

The City will not defease or permit a defeasance of any of the 2013B Bonds or the 2013C Bonds counsel to the effect that (i) the holders of the 2013B/C Bonds being defeased will not recognize bond counsel to the effect that (i) the holders of the 2013B/C Bonds being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and (ii) the defeasance will not otherwise alter those holders' U.S. federal income tax treatment of principal and interest payments on the 2013B/C Bonds being defeased. See the subsection "TAX MATTERS-2013B BONDS AND 2013C BONDS.—Defeasance."

# AUTHORIZATION AND PURPOSES OF THE BONDS

The Bonds have been authorized and are being issued pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), as authorized

by Ordinance No. 45,247 and Ordinance No. 45,262, adopted by the City Council of the City (the "City Council") on September 10, 2013, and October 8, 2013, respectively (collectively, the "Ordinance").

projects, (ii) refund certain outstanding bond anticipation notes and parking system revenue bonds of the City, and (iii) pay the underwriters' discount and costs of issuance of the Bonds as set forth in the sections "PLAN OF FINANCE" and "APPLICATION OF PROCEEDS OF THE BONDS." The proceeds of the Bonds, together with other available funds, will be used to (i) finance capital

### PLAN OF FINANCE

### Capital Projects Financing

pay the costs of projects identified in the City's Capital Improvement Program, as the City Council may amend it from time to time and the acquisition of various personal property, including the construction The City expects to use a portion of the proceeds of the 2013A Bonds and the 2013C Bonds to and renovation of Crossroads Elementary School.

### Refunding

The City may use the proceeds of the 2013A Bonds and the 2013B Bonds, together with other available funds, to refund, redeem and defease all or portions of various bond anticipation notes and parking system revenue bonds (the "Refunded Obligations"). The table below sets forth the Refunded Obligations.

# \$51,655,000 General Obligation Bond Anticipation Note, Series 2011A (Tax-Exempt) (the "2011A BAN") (Base CUSIP Number 655867)\*

CUSIP	Suffix	MF3	MGI
Redemption	Price	100%	100%
Redemption	Date	11/08/2013	11/08/2013
	Interest Rate	3.000%	2.000
Refunded Principal	Amount	\$36,930,000	14,725,000
Year of Maturity	(January 1)	2014	2014

# \$23,650,000 General Obligation Bond Anticipation Note, Series 2011B (Taxable) (the "2011B BAN") (Base CUSIP Number 655867)

	CUSIP	Suffix	ME6
	Redemption	Price	%001
	Redemption	Date	11/08/2013
		Interest Rate	2.090%
Refunded	Principal	Amount	\$23,650,000
Year of	Maturity	(January 1)	2014

A registered trademark of the ABA, used by S&P in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP numbers have been assigned by an organization or affiliated with the City, and the City is not registable for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities on the use of accordary marked financial products. The City has not agreed to, and there is no obly or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

\$17,475,000 Parking System Revenue Bonds, Series 1999 (Base CUSIP Number 655899)\*

CUSIP	Suffix	BEI	BF8	BG6	BH4				CUSIP	Suffix BK7	CUSIP	Suffix	BV3	BWI	BX9	BY7	BZ4	CA8	CB6	CC4	CD2	CE0	CF7	CGS	CH3
Redemption	Price	100%	100%	100%	100%				Redemption	Price 100%	Maturity or Redemption	Price	100%	100%	100%	100%	%001	100%	100%	100%	100%	%001	100%	%001	100%
Redemption	Date	11/08/2013	11/08/2013	11/08/2013	11/08/2013	ond, Series 2000B			Redemption	Date 11/08/2013	Maturity or Redemption	Date	02/01/2014	02/01/2014	02/01/2014	02/01/2014	02/01/2014	02/01/2014	02/01/2014	02/01/2014	02/01/2014	02/01/2014	02/01/2014	02/01/2014	02/01/2014
	Interest Rate	4.700%	4.800	5.000	5.000	\$17,860,000 Parking System Revenue and Refunding Bond, Series 2000B	,			Interest Rate 5.500%		Interest Rate	5.000	4.000	4.500	4.500	4.500	4.000	4.000	4.000	4.125	4.250	4.250	4.500	4.500
Refunded	Amount	\$ 525,000	550,000	3,180,000	8,085,000	ng System Revenu	nber 655899)*	Refunded	Principal	Amount \$15,155,000	Refunded Principal	Amount	\$2,135,000	2,235,000	2,320,000	2,430,000	2,535,000	2,655,000	340,000	355,000	370,000	385,000	400,000	2,275,000	3,500,000
Year of Maturity	(February 1)	2014	2015	2020	2029	S17,860,000 Parki	(Base CUSIP Number 655899)	Year of	Maturity	(February 1) 2031	Year of Maturity	(February 1)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2035

A registered trademark of the ABA, used by S&P in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP numbers have been assigned by an organization at all filling with the CCFy and the CCFy is not responsible for the section or use of the CUSIP numbers. The CUSIP numbers are included solely for the conventience of bondholders and no representation is made as to the conventence of such CUSIP numbers. CUSIP numbers assigned to executivist may be changed during the term of such executivity backed on a number of factors including, but not finited to, the refunding or defensance of such securities or the use of excondary market financial products. The CUSIP numbers set forth above.

\$26,045,000 Parking System Revenue Refunding Bonds, Series 2005A (Base CUSIP Number 655899)\*

CUSIP Suffix*	CV2	CNO	CQ3	CS9	CU4
Maturity or Redemption Price	100%	100%	100%	100%	100%
Maturity or Redemption Date	02/01/2015	02/01/2015	02/01/2015	02/01/2015	02/01/2015
Interest Rate	4.000	5.000	5.000	5.000	5.000
Refunded Principal Amount	\$ 225,000	5,170,000	5,710,000	6,285,000	6,940,000
Year of Maturity (February 1)	2019	2021	2023	2025	2027

<sup>†</sup> The mandatory redemption payments for the 2019 Term Bond due February 1, 2014, and 2015 will be paid as scheduled with the remainder of the mandatory redemption payments redeemed at the redemption date.

# \$5,845,000 Parking System Revenue Refunding Bond, Series 2012 (Taxable) (the "2012 PRB")

	CUSIP	Suffix	None
	Redemption	Price	100%
	Redemption	Date	11/08/2013
		Interest Rate	Variable
Refunded	Principal	Amount	\$5.690,000
Year of	Maturity	(August 1)	2019

## Escrow Agreement and Defeasance

A portion of the proceeds of the 2013A Bonds and the 2013B Bonds, together with other available funds, will be deposited with U.S. Bank Trust National Association (the "Escrow Agant"), pursuant to an Escrow Agenement to be dated the date of delivery of the Bonds, between the City and the Escrow Agent (the "Escrow Ageneril"). The Escrow Agreement will provide for the purchase of direct, non-callable obligations of the Treasury (the "Escrow Agreement will provide for the purchase of direct, non-callable obligations of the Treasury (the "Escrow Agentium and interest on the Refunded Obligations other than the 2011A BAN, the 2011B BAN and the 2012 PRB. The City will use a portion of the proceeds of the 2013 Variable Rate Loan, as hereinafter defined, to redeem the 2011A BAN and the 2011B BAN. The City will use a portion of the proceeds of the 2013 Variable funds, to redeem the 2012 PRB. The sufficiency of the Escrow Agent was verified by Robert Thomas CPA, LLC. See the section herein "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

### Private Placement Loans

On October 2, 2013, the City entered into a Bond Purchase and Loan Agreement (the "Forward Refunding Agreement"), with Bane of America Preferred Funding Corporation (the "Forward Refunding Lender"), under which the City has the ability to issue three separate bonds in the aggregate principal amount of \$37,960,000 (collectively, the "Forward Refunding Bonds"), the proceeds of which the City would use to currently refund its outstanding General Obligation Refunding Bonds, Series 2004, General Obligation Capital Improvement and Refunding Bonds, Series 2006 on June 2, 2014, October 1, 2014, and March 2, 2015, respectively (collectively, the "Forward Refunded Bonds"). The City has the ability to terminate Refunding Lender is not required to purchase any Forward Refunding Bond unless the City satisfies certain advance conditions specified in the Forward Refunding Agreement, so there can be no assurance that the City will issue any of the Forward Refunding Bonds, or refund any of the outstanding Forward Refunded Bonds.

In addition, on or about November 7, 2013, the City expects to enter into a private placement variable rate loan in the original principal amount of \$13,600,000 (the "2013 Variable Rate Loan") with Bank of America, N.A., and expects to use the proceeds of such loan, along with other available funds, and a portion of the 2013B Bonds to refund the City's General Obligation Bond Anticipation Note, Series 2011B (Taxable). The closing of the 2013 Variable Rate Loan is subject to the satisfaction of certain closing conditions on or before the expected closing date. There can be no assurance that the closing conditions will be satisfied or that the City will close on the 2013 Variable Rate Loan.

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A registered trademark of the ABA, used by S&P in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not alliliated with the City, and the City is not trepostable for the steedancien or use of the CUSIP numbers. The CUSIP numbers are included solely for the conventience of bondholders and no representation is made as to the correctness of such UCSIP numbers. CUSIP numbers assigned to securities may be changed during the term of study executivities have the changed the probability of the retinning or defeasance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set derivations.

# APPLICATION OF PROCEEDS OF THE BONDS

The following tables set forth the anticipated application of the proceeds of the Bonds for the purposes described above:

2000	2013A Bonds	2013B Bonds	2013C Bonds	Total
Sources of Proceeds: Par Amount of Bonds	\$130,990,000.00	\$81,715,00.00	\$2,470,000.00	\$215,175,000.00
Net Original Issue Premium	13,705,466.60		•	13,705,466.60
Parking Indenture Debt	1 101 881 07	1 101 867 01		2 383 748 03
Selvice Fulld Acidase	1,171,001.72	1,171,007.01		2,303,140,33
Parking Indenture Debt				
Service Reserve Fund Release	1,255,151.33	1,450,069.49	•	2,705,220.82
Cash Contribution from the	1,231,839.92	6,500,000.00	•	7,731,839.92
City	8 /			
Total:	\$148,374,339.77	\$90,856,936.50	\$2,470,000.00	\$2,470,000.00 \$241,701,276.27
Uses of Proceeds:				
Deposit to Project Fund	\$93,734,081.83	S	\$2,458,452.19	\$96,192,534.02
Refunding Deposits:				
Cash Deposit	44,406,936.79	51,578,089.17		95,985,025.96
Escrow Securities	9,599,209.25	38,894,959.13	•	48,494,168.38
Costs of Issuance*	634,111.90	383,888.20	11,547.81	1,029,547.91
Total:	\$148.374.339.77	890.856.936.50	\$2,470,000.00	\$2,470,000,00 \$241,701,276,27

Includes underwriters' discount and other costs of issuing the Bonds, including legal, financial advisory, rating and printing.

# SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

#### General

The Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the payment of principal of, premium, if any, and interest on the Bonds. While the Bonds remain outstanding and unpaid, the City Council is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose. In order to provide for the maturing principal of some of the 2013C Bonds, the City expects to make annual deposits into a sinking fund. See the subsection "THE 2013 Bonds – Redemption Provisions."

The City has never defaulted in the payment of either principal of, or interest on, any indebtedness.

## Bondholders' Remedies in Event of Default

Section 15.2-2659 of the Virginia Code provides that upon affidavit of any owner, or any paying agent therefor, of a general obligation bond or note in default as to payment of principal or interest, the Governor of the Commonwealth (the "Governor") shall conduct a summary investigation. If such default is established to the Governor's satisfaction, the Governor shall order the State Comproller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal and interest. The State Comproller advises that to date no order to withhold funds pursuant to Section 15.2-2659, or its predecessors, Sections 15.1-225 and 15.1-227.61, has ever been issued. Although Section 15.2-2659 has not been considered by a Virginia court, the Attorney General of Virginia has opined that appropriated funds may be withheld by the Commonwealth pursuant to one of its predecessor provisions, Section 15.1-225. Each fiscal year of the City (each a "Fiscal Year") ends on June 30, and for Fiscal Year 2012, the Commonwealth provided \$372,450,353 to the City which was deposited in the City's General Fund.

Although Virginia law currently does not authorize such action, future legislation may enable the City to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code") if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the City could have adverse effects on the Bondholders, including (i) delay in the enforcement of their remedies, (ii) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings or (iii) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the owners of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent." The effect of these and other provisions of the Bankruptcy Code cannot be reliably predicted and may be significantly affected by judicial interpretation.

## TAX MATTERS-2013A BONDS

# Opinion of Bond Counsel - Federal Income Tax Consequences

Bond Counsel's opinion regarding the 2013A Bonds will state that, under current law and assuming the compliance with the Covenants, as hereinafter defined, by and assuming the accuracy of certain representations and certifications of the City and certain other persons and entities, interest on the 2013A Bonds (including any accrued "original issue discount" properly allocable to the owners of the 2013A Bonds) (i) is excludable from the gross income of the owners of the 2013A Bonds for purposes of federal income taxation under Section 103 of the Code, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the 2013A Bonds must be included in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax imposed on such corporations. See Appendix B for the form of the opinion of Bond Counsel with respect to the 2013A Bonds.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2013A Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the 2013A Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations,

the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

# Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the 2013A Bonds, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of representatives of the Underwriters and other third parties, and public officials as to facts material to the opinion, which Bond Counsel has not independently overfixed.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2013A Bonds in order for interest on the 2013A Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2013A Bonds and the 2013A Bonds, and the 0bligation to rebate certain excess earnings on the grounce of the property financed or refinanced by the 2013A Bonds, initiations on the source of the payment of and the security for the 2013A Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2013A Bonds to the Treasury. Prior to the issuance of the 2013A Bonds, the City will enter into a tax certificate for the 2013A Bonds (the "Tax Certificate") that contains covenants (the "Covenants") with which the City has agreed to comply. Failure by the City to comply with the Covenants could cause interest on the 2013A Bonds to become includible in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2013A Bonds from becoming includible in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2013A Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. Bond Counsel expresses no opinion concerning any effect on excludability of interest on the 2013A Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

# Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2013A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such 2013A Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2013A Bonds.

Prospective purchasers of the 2013A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain coporations (including Scorporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the 2013A Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding many apply to any such payments made to any 2013A Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2013A Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### Original Issue Discount

The "original issue discount" ("OID") on any 2013A Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the expactive of underwriters, placement agents or wholesalers. The issue price for each maturity of the 2013A Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement, but is subject to change based on actual sales. Accrued OID on the 2013A Bonds with OID (the "OID Bonds") is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax with respect to the 2013A Bonds and the distribution requirements of certain investment companies and may result in some of the collibatorial federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the OID accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

### **Bond Premium**

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the

acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium Bond, based on the owner's yield over the remaining term of the Premium Bond, based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-enempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bond should consult their own tax advisors regarding thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of such Premium Bond.

# Effects of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2013A Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the 2013A Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the 2013A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the 2013A Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various State legislatures. Such legislation may effect changes in federal or State income tax rates and the application of federal or State income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or State income tax purposes. The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or State tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the 2013A Bonds, regulatory interpretation of the Code or actions by a court involving either the 2013A Bonds or other tax-exempt obligations will not have an adverse effect on the 2013A Bonds federal or State tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the 2013A Bonds.

Prospective purchasers of the 2013A Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or State tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

# Opinion of Bond Counsel - Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the 2013A Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the 2013A Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2013A Bonds under the tax laws of any state or local jurisdiction other than the

Commonwealth. Prospective purchasers of the 2013A Bonds should consult their own tax advisors regarding the tax status of interest on the 2013A Bonds in a particular state or local jurisdiction other than the Commonwealth.

# FAX MATTERS-2013B BONDS AND 2013C BONDS

# Opinion of Bond Counsel - Federal Income Tax Consequences

Bond Counsel's opinion with respect to the 2013B Bonds will state that, based on current law, interest on the 2013B Bonds is includible in the gross income of the owners thereof for purposes of federal income taxation.

Bond Counsel's opinion with respect to the 2013C Bonds will state that, based on current law, interest on the 2013C Bonds is includible in the gross income of the owners thereof for purposes of federal income taxation as required under Section 6431(f)(1)(D) of the Code.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2013B/C Bonds. See Appendix B for the form of the opinion of Bond Counsel with respect to the 2013B Bonds and the form of the opinion of Bond Counsel with respect to the 2013C Bonds.

#### Summary

The following is a summary of certain of the United States federal income tax consequences of the ownership of the 2013B/C Bonds as of the date hereof. Each prospective purchaser of the 2013B/C Bonds should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the 2013B/C Bonds generally and does not purport to furnish information in the level of detail or with the prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser of 2013B/C Bonds that are "U.S. holders," as hereinafter defined, deals only with 2013B/C Bonds held as owners that may be relevant to investors subject to special rules, such as individuals, tursts, estates, tax-exempt investors, foreign investors subject to special rules, such as individuals, tursts, estates, tax-exempt investors, foreign investors companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold the 2013B/C Bonds as part of a stradedle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in an owner of the 2013B/C Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a 2013B/C Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a 2013B/C Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a

trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

# General Federal Income Tax Status of the 2013B/C Bonds

The 2013B/C Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Owners of the 2013B/C Bonds that allocate a basis in the 2013B/C Bonds that is greater than the principal amount of the 2013B/C Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If an owner purchases the 2013B/C Bonds for an amount that is less than the principal amount of the 2013B/C Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accure market discount currently, upon a sale or exchange of a 2013B/C Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accured through the date of sale. In addition, absent an election to accure market discount that does not exceed the accured market discount for any target such and arket discount for any target accured market discount for any tarable year, will be deferred.

## Sale and Exchange of the 2013B/C Bonds

Upon a sale or exchange of a 2013B/C Bond, an owner generally will recognize gain or loss on the 2013B/C Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such 2013B/C Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the 2013B/C Bond not yet taken into income will be ordinary.) The adjusted basis of the owner in a 2013B/C Bond will (in general) equal its original purchase price increased by any original issue discount or market discount includible in the gross income of the owner with respect to the 2013B/C Bonds and decreased by any principal payments received on the 2013B/C Bond. In general, if the 2013B/C Bond is held for longer than one year, any gain or loss would be long-term capital gain or loss, and capital losses are subject to certain limitations.

### Defeasance

Defeasance of any 2013B/C Bond may result in a reissuance thereof, in which event an owner will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stade interest which will be taxable as uch) and the holder's adjusted tax basis in the 2013B/C Bond. The City will not defease or permit the defeasance of holder's adjusted tax basis in the 2013B/C Bond. The City will not defease or permit the defeasance that (i) the holders of the 2013B/C Bonds being defeased will not recognize income, gain or loss for U.S. federal income as a result of the defeasance and (ii) the defeasance will not otherwise alter those holders U.S. federal income tax treatment of principal and interest payments on the 2013B/C Bonds being defeased. See the subsection "DESCRIPTION OF THE BONDS – Restriction on the Defeasance being cf the 2013B Bonds and the 2013C Bonds."

### Foreign Investors

Distributions of the 2013B/C Bonds to a non-U.S. holder that has no connection with the United States other than holding its 2013B/C Bond generally will be made free of withholding tax, as long as that the non-U.S. holder has complied with certain tax identification and certification requirements.

### Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the City and its tax advisors are (or may be) required to inform you that (i) any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer; (ii) any such advice is written to support the promotion of marketing of the 2013B/C Bonds and the transactions described herein (or in such opinion or other advice); and (iii) each taxpayer's particular circumstances from an independent tax advisor.

### Backup Withholding

Under current United States federal income tax laws, a 28% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of a sale, exchange or redemption of, the 2013B/C Bonds. Certain persons making such payments are required to submit information returns (that is, IRS Forms 1099) to the IRS with regard to those payments. Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities.

### Interest Subsidy Payments

The City will designate the 2013C Bonds as Qualified Energy Conservation Bonds and will irrevocably elect to treat the 2013C Bonds as Specified Tax Credit Bonds. Section 6431(f) of the Code authorizes an issure of a Specified Tax Credit Bond periodically to receive a refundable Interest Subsidy Boyneria in lieu of providing a federal tax credit to the owner of such bond. If such Specified Tax Credit Bond is a Qualified Energy Conservation Bond, Section 6431(f) (as modified by Section 6431(f)) requires the Secretary of the United States Department of the Treasury to pay (contemporaneously with each interest payment date under a Specified Tax Credit Bond) to the issure of such bond an amount equal to 70% of the lesser of (i) the amount of interest payable under such bond on such date or (ii) the amount of interest were determined at the applicable credit rate determined under Section 54A(b)(3) with respect to such bond.

An owner of a Specified Tax Credit Bond such as a 2013C Bond is entitled to receive only periodic payments of current interest in addition to the payment of the principal of and premium, if any, thereon at maturity or upon earlier redemption. Section 6431(f)(1)(D) of the Code provides that the interest on a Specified Tax Credit Bond is includible in gross income for purposes of federal income taxation. On October 1, 2013, the IRS Office of Tax Exempt Bonds announced that the Interest Subsidy Payment on Specified Tax Credit Bonds would be reduced by 7.2% during federal fiscal year 2014 as a result of the ongoing federal sequestration. The Interest Subsidy Payments to be received by the City are not directly pledged as security for or a source of payment of the principal of or interest on or any Demographic Factors – Federal Government Impacts."

# Opinion of Bond Counsel - Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the 2013B/C Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the 2013B/C Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2013B/C Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2013B/C Bonds should consult their own tax advisors regarding the tax status of interest on the 2013B/C Bonds in a particular state or local jurisdiction other than the Commonwealth.

### PENDING LITIGATION

The City, in the course of its activities, has been named as defendant in certain personal injury cases and suits for property damage.

These suits are being defended by the City Attorney and associated independent counsel retained by the City Attorney, and it is the opinion of the City Attorney that any possible losses in connection with the above pending litigation will not materially and adversely affect the City's financial condition. The City Attorney is also of the opinion that the above pending litigation will not affect the validity of the City to levy and collect ad valorent taxes for the payment of the Bonds or the interest thereon. There is no pending litigation with respect to the Bonds or the ability of the City to levy and collect ad valorent taxes for the payment of the Bonds or the opinion and collect ad valorent taxes for the payment of such Bonds or interest thereon.

### RATINGS

The City has requested that the Bonds be rated and has furnished certain information to the rating agencies including information that may not be included in this Official Statement. The Bonds have been rated Aa2' by Moody's Investors Service ("Moody's"), AA+ by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and 'AA+\* by Fitch Ratings ("Fitch"), Standard & Poor's rating reflects an upgrade from the City's prior rating.

The ratings reflect only the views of the respective rating agency. Any explanation of the significance of the ratings may be obtained only from the respective rating agency. Generally, rating agencies base their ratings upon information and materials provided to them and upon investigations, studies and assumptions by the rating agencies. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's, Fitch or Standard & Poor's. Such action may have an adverse effect on the market price of the Bonds. The City has not undertaken any responsibility after the issuance of the Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

### FINANCIAL STATEMENTS

The City's audited general purpose financial statements for the Fiscal Year 2012 are published in Appendix A with accompanying notes. In addition, Appendix A also includes a report of the City's independent accountants.

## CERTIFICATES OF CITY OFFICIALS

Concurrently with the delivery of the Bonds, the City will furnish (i) a certificate, dated the date of delivery of the Bonds, signed by the officers who sign the Bonds, stating that, to the best of their knowledge, no litigation is then pending or threatened to restrain or enjoin the issuance or delivery of the

Bonds or the levy or collection of taxes to pay principal, premium, if any, or interest thereon or in any manner questioning the proceedings and authority under which the Bonds is issued and (ii) a certificate dated the date of delivery of the Bonds signed by the appropriate City officials and stating that the descriptions and statements in this Official Statement including the Appendices hereto (except under the headings "PENDING LITIGATION," "RELATIONSHIP OF PARTIES," "UNDERWRITING" and in Appendix D) at the time of acceptance of the proposal for the Bonds and at the date of delivery were and are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The City Attorney will furnish, concurrently with the delivery of the Bonds, a certificate dated the date of delivery of the Bonds stating that the descriptions and statements in this Official Statement under the heading "PENDING LITGATION" at the time of acceptance of the proposal for the Bonds and at the date of delivery were and are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and that no litigation is pending or, to the best of his knowledge, threatened against the City either (i) to restrain or enjoin the issuance or delivery of the Bonds, (ii) to question in any manner the authority of the City to issue or the issuance of the Bonds, or the validity of any proceedings authorizing the Bonds or the levy or collection of taxes to pay the Bonds or (iii) to question in any manner the boundaries of the City or the title of any officers of the City to their respective offices.

### FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc. of Arlington, Virginia ("PFM"), as Financial Advisor in connection with the issuance and sale of the Bonds. Although PFM has assisted in the preparation of this Official Statement, PFM is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. PFM is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

# VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by PFM on behalf of the City relating to forecasted payments of principal and interest to redeem the Refunded Obligations was examined by Robert Thomas CPA, LLC (the "Verification Agent"). Such computations were based solely upon assumptions and information supplied by PFM on behalf of the City. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

## RELATIONSHIP OF PARTIES

McGuireWoods LLP, Richmond, Virginia, Bond Counsel, represents the Underwriters from time to time in unrelated matters. Kaufman & Canoles, a Professional Corporation, Norfolk, Virginia, counsel to the Underwriters, also serves as counsel to the City in unrelated matters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial

advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

### UNDERWRITING

The Bonds are being purchased by the Underwriters pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between the City and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters. The Bond Purchase Agreement sets forth the obligation of the Underwriters to purchase the Bonds an aggregate purchase price of \$228,452,893.06 (representing the sum of (i) the \$130,990,000.00 par amount of the 2013A Bonds, plus net original issue premium of \$131,705,466.60, less an underwriting discount of \$261,307.58, (ii) the \$81,715,000.00 par amount of the 2013B Bonds, less an underwriting discount of \$50,04.76 on such 2013C Bonds, and the Bond Purchase Agreement is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds if any are purchased. The Underwriters may offer and sell the Bonds ic not such a subject to certain dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

Citigroup Global Markets Inc. ("CGMI"), one of the Underwriters of the Bonds, has entered into an agreement (the "Citigroup Distribution Agreement") with TMC Bonds L.L.C. ("TMC") for the distribution to retail investors of certain municipal securities offerings. In connection with the Citigroup Distribution Agreement, TMC has established an electronic primary offering application through which certain broker-dealers and municipal securities dealers approved by CGMI and TMC (each an "Approved Party") can submit orders for, and receive allocations of, new issue municipal securities for retail investors, and CGMI may share with TMC a portion of its underwriting compensation, which TMC may share with each Approved Party, with respect to Bonds that are allocated to such retail orders. Any such sharing will not affect the aggregate underwriting compensation set forth above or CGMI's share of such compensation. Citigroup Financial Products Inc., CGMI's parent company, owns a 31.35% equity interest in TheDebtCenter L.L.C., the parent company of TMC.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of

UBSFS and CS&Co. will purchase the Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any of the Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, one of the Underwriters of the Bonds, has entered into an agreement (the "WF Distribution Agreement") with, its affiliate, Wells Fargo Advisors, LLC ("WFA") for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WF Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Bonds with WFA. WFA is also a subsidiary of Wells Fargo & Company. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFSLLC") and expenses based on its municipal securities transactions. WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The City intends to use a portion of the proceeds of the 2013A Bonds and the 2013B Bonds to refund, redeem and defease the Refunded Obligations. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Obligations, such Underwriter or affiliate, as applicable, would receive a portion of the proceeds of the 2013A Bonds or the 2013B Bonds, as applicable, in connection with the refunding, redemption and defeasance of the Refunded Obligations.

## CONTINUING DISCLOSURE

The City will execute and deliver for the benefit of the Beneficial Owners a Continuing Disclosure Agreement, the form of which is set forth as Appendix C to this Official Statement, pursuant to which the City will covernant and agree, for the benefit of the Beneficial Owners, to provide certain amountal financial information and notice of certain enumerated events required by the Rule. As described in Appendix C, such undertakings require the City to provide only limited information at specified times.

The continuing obligation of the City to provide annual financial information and notices referred to above will terminate with respect to the Bonds when such Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the applicable Bonds.

As described below, the City did not comply with certain continuing disclosure undertakings with respect to its water revenue bonds and certain of its parking system revenue bonds (but not its general obligation bonds) by not filing in a timely manner with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system and the respective nationally recognized municipal securities information repositories (i) in the case of certain water revenue bonds and parking system revenue bonds, specified operating data for the Fiscal Years 2007 through 2010, and (ii) in the case of certain parking system revenue bonds, notice of ratings changes related to ratings action affecting the insurer of such bonds in 2008 and 2009. The data described in clause (i) previously was included in the statistical section of the City's Comprehensive Annual Financial Report but was inadvertently omitted for such years, and described in clause (ii) and has continually made all required filings since 2009. The City has established procedures to reduce the likelishood of future reoccurrences. Except as described above, the City is not aware of any instance in the previous five years in which it has not complied with, in any material respect, its previous continuing disclosure undertakings.

### MISCELLANEOUS

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly industrified, are afforth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The distribution of this official Statement has been dely authorized by the City, which has deemed this Official Statement final within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be unitted by the Rule.

The references herein to and summaries of federal, Commonwealth and City laws, including but not limited to the Constitution of the Commonwealth, the Virginia Code, the Charter of the City (the "City Charter") and documents, agreements and court decisions are summaries of certain provisions thereof. Such numbaries do not purport to be complete and are qualified in their entirety by reference to the full text of such acts, laws, documents, agreements or decisions, copies of which are available for impection during normal business hours at the office of the City Attorney.

Any questions concerning the content of this Official Statement should be directed to the City's Director of Finance, 810 Union Street, Soule 600 City Hall Building, Norfolk, Virginia 23510, (757) 664-4346.

CITY OF NORPOLK VIRGINIA

WAltering Donne

City Manager

(Lim W. Keilte

A Allier M. Keilte

Director of Finance

### PART II CITY INDEBTEDNESS

## Limitation on Incurrence of Debt

Pursuant to the Constitution of Virginia (the "Constitution"), the City is authorized to issue bonds and notes secured by a pledge of its full faith and credit and unlimited taxing power. There is no requirement in the Constitution, the Virginia Code or the City Charter that the issuance of general obligation bonds of the City be subject to approval of the electorate of the City at referendum. The issuance of general obligation bonds is subject to a limitation of 10% of the assessed value of taxable real property.

At September 30, 2013, the total assessed value of taxable real property in the City was \$18,343,460,178. Based on Virginia's constitutional debt limitation formula, this resulted in a debt limit of \$18,834,346,018. As presented in Table II-1 below and based on the City's unaudited records, the City's outstanding general obligation bonds and other tax-secured indebtedness as of September 30, 2013, was \$814,211,335 representing 44.39% of the constitutional debt limit.

#### Table II-1 City of Norfolk, Virginia Computation of Legal Debt Margin<sup>(1)</sup> September 30, 2013

Total assessed value of taxable real property	\$18,343,460,178
Debt Limit-10 percent of total assessed value	1,834,346,018
Less: Outstanding General Obligation Debt (3) (4) (5) (6)	814,211,335
Legal Debt Margin	\$1,020,134,683
Amount of debt as a percent of debt limit	44.39%

Source: Department of Finance, City of Norfolk, Virginia.

- Notes: (1) Figures are unaudited.
- (2) Defeased bonds are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
- (3) Reflects only bonded debt and does not include the City's capital lease obligations. See the subsection herein "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES Capital Lease Obligations" for information about the City's capital lease obligations. This City does not currently have any capital lease obligations outstanding.
- (4) The amount of general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued, is \$301,296,003.
- (5) Water Revenue Bonds, Wastewater Revenue Bonds and Parking System Revenue Bonds are excluded from gross debt, since these bonds are payable soledly from the revenue of their respective enterprise activities. The City expects to refund all Parking System Revenue Bonds with the proceeds of the 2013A Bonds and the 2013B Bonds, and such refunding bonds would be included in the gross debt calculation in the future.
  - (6) Includes the remaining balance of \$990,000 on a general obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998. The bonds mature on August 15, 2015.

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### Debt Outstanding

September 30, 2013. Table II-5 presents the recent historical relationship between debt service on bonds paid from actual general governmental expenditures for the past 10 Fiscal Years. Table II-6 presents the historical relationship of the City's net bonded debt to assessed value of taxable real property and net bonded debt per capita. Table II-7 provides a statement of future annual debt service requirements on the City's existing general obligation bonds. presents the City's gross and net outstanding tax-supported and self-supporting general obligation bonded indebtedness as of September 30, 2013. Table II-3 provides a comparative statement of key debt ratios for the past 10 Fiscal Years and Table II-4 presents the rate of retirement for all general obligation bonds as of The tables that follow detail the City's current general obligation debt outstanding. Table II-2

### City of Norfolk, Virginia General Obligation Debt Statement (1) (3) (4) (5) (8) Table II-2

As of

General Fund Outstanding Debt     General Fund Bonds Outstanding Debt <sup>(6/7)(9)</sup> Self-Supporting General Fund Bonds Outstanding Debt <sup>(9)</sup> Total     Enterprise Fund Bonds Outstanding Debt <sup>(3)</sup> C. Total General Obligation Bond Indebtedness Outstanding Debt (A+B)	September 30, 2013		\$591,543,541		201,732,895	bt (A+B) \$813,221,335
19-24 No. 60 PM		General Fund Outstanding Debt	General Fund Bonds Outstanding Debt <sup>(6/7)(9)</sup> Self-Sunociting General Fund Bonds Outstanding Debt <sup>(6</sup>	Total	Enterprise Fund Bonds Outstanding Debt <sup>(3)</sup>	Total General Obligation Bond Indebtedness Outstanding De

f Nor	
City	
Finance,	
of	
Department	
Source:	

	ized by ordinance for Capital Improvement Projects, but not
Department of Finance, City of Norlolk, Virginia.	Figures are unaudited.  The amount of general obligation bonds authori
Depar	93
Source:	Notes:

- (2) The amount of general obligation bonds authorized by ordinance for Capital Improvement Projects, but not yet issued, is 3201-296.003.

  yet issued, is 3201-296.003.

  Water Revenue Bonds, Wastewater Revenue Bonds and Parking System Revenue Bonds are excluded from enterprise find debt, since these bonds are payable solely from the revenue of their respective enterprise activities. The City expects to refined all Parking System Revenue Bonds with the proceeds of the 2013A Bonds and the 2013B Bonds, and each refunding bonds would be included in the gross debt calculation in the future.

  (4) Reflects only bonded debt and does not include the City's capital lease obligations. See "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES Capital Lease Obligations" for information about the City's capital tease obligations. This City does not currently have any expital lease obligations outstanding.

  Debased bonds are not included in gross debt. Funds to redeen these bonds have been irrevocably deposited with an escrow agent.

  Debased bonds are not included in gross debt. Funds from Water Fund, Maritime Facility Fund and the Towing and Recovery Fund, which are special revenue funds.

  (7) Includes the remaining balance of \$990,000 on a general obligation guaranty of \$3,300,000 of bonds issued by Voorfielk Redevelopment and Housing August 1998. The bonds mature on August 15, 2015.

  There are no overlapping or underlying Laving Lividicitions in the City.

  There are no overlapping or underlying Laving Lividicitions in the City's debt that supports its entire contract of the 2013A Bonds, all of the City's debt that supports its 3
  - 4 (5)
- 9
- parking system will be general obligation debt.

City of Norfolk, Virginia Key Debt Trends Fiscal Years 2004 - 2013 Table II-3

Fiscal Year Ended June 30	Gross Bonded Debt	Gross Bonded Principal Outstanding Per Capita (4)	Percent of Gross Bonded Debt to Real Property Assessed Value (5)
2004	\$486,242	\$2,037	4.85%
2005	512,528	2,141	4.68
2006	475,872	1,988	3.75
2007	576,809	2,384	3.70
2008	695,230	2,861	3.28
2009	736,163	3,018	3.39
2010	887,772	3,656	4.45
2011	826,874	3,389	4.28
2012	875,786	3,563	4.26
2013	817.078	N/A	N/A

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012, and Department of Finance, City of Norfolk, Virginia. Sources:

(1) There are no overlapping or underlying taxing jurisdictions in the City.

Notes:

- Debt payable from Enterprise Revenue can be found in Table II-6. (2)
- The defeased portions of bonds are not included in Gross Bonded Debt. Unamortized premium/discount is not included in Gross Bonded Debt. (3)
- Gross Bonded Principal Outstanding Per Capita is based on the population figures from Table II-6. (4)
- Based on the taxable real property assessed value figures from Table III-2. (5)

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Table II-4
City of Norfolk, Virginia
Principal Redirement
All General Obligation Bonds
As of September 39, 2013

Maturing By	Cumulative Amount	Percent of
FISCALI YEAR	Malarea	runcipal Reflied
2018	\$333,263,503	40.79%
2023	556,059,564	68.05
2028	725,131,335	88.75
2033	794,806,335	97.27
2038	808,571,335	98.96
2043	813 221 335	100 00

arce: Department of Finance, City of Norfolk, Virginia.

Table II-5
City of Norfolk, Virginia
Ratio of Amual Debt Service to
Total General Governmental Expenditures
Fiscal Years 2003 – 2012

Fiscal Year Ended June 30	Total Debt Service <sup>(1)</sup>	Total General Expenditures (3)	Percent of Debt Service To Total General Expenditures
2003	\$53,258,272	\$451,633,988	11.79%
2004	55,000,425	490,944,275	11.20
2005	58,971,773	490,923,834	12.01
2006	62,750,385	510,999,836	12.28
2007	58,045,527	539,491,519	10.76
2008	64,167,472	574,581,092	11.17
2009	71,794,806	584,533,217	12.28
2010	69,929,707	567,371,918	12.33
2011	78,453,097	577,669,780	13.58
2012	82 241 946	590 849 686	13.92

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012.

Notes: (1) Includes debt service on general obligation bonds supported by the General Fund.

Total general expenditures are presented using the modified accrual basis of accounting.

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Table II-6
City of Norfolk, Virginia
Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita
Fiscal Years 2003 - 2012

Ratio of

Fiscal Year Ended June 30	Estimated Population	Assessed Value of Taxable Property (In Thousands)	Gross Bonded Debt	Debt Payable from Enterprise Revenue	Net Bonded Debt	Net Bonded Debt to Assessed N Value	Net Bonded Debt Per Capita
2003	236,550	\$10,939,757	\$460,876,270		\$361,655,951	3,31%	
2004	238,650	11,814,930	486,241,680		398,605,757	3.37	
2005	239,396	12,835,957	512,528,634		421,008,476	3.28	
2006	239,355	14,663,411	475,872,461		382,773,000	2.61	
2007	241,941	17,619,217	161,608,975		469,498,450	2.66	
2008	242,983	20,578,641	695,230,000		571,138,000	2.78	
2009	243,957	21,308,309	736,163,200		577,936,007	2.71	
2010	242,803	21,777,754	887,771,677		688,151,830	3.16	
2011	243,985	21,383,674	826,873,664		639,674,884	2.99	
2012	245,803	20,529,023	875,785,431		687,875,882	3.35	

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012, and the Department of Finance, City of Norfolk, Virginia. The source of 2003 through 2011 and 2012 population estimates in the Weldon Cooper Center for Public Service, University of Virginia (the "Weldon Cooper Center"). The source for the 2010 population estimates in the U.S. Center Burnat.

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Table II - 7 City of Norfolk, Virginia Long-Term Debt Service Requirements (1)

Principal	Interest	Total Debt Service.	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
\$56,197,707	\$33,544,284	\$89,741,991	\$	\$ 2,368,143	\$ 2,368,143	\$56,197,707	\$35,912,426	\$ 92,110,133
56,040,215	30,151,640	86,191,855	3,900,000	10,121,892	14,021,892	59,940,215	40,273,532	100,213,747
51,044,052	27,808,765	78.852.817	4.025,000	10,055,477	14,080,477	55,069,052	37,864,242	92,933,294
50,623,514	25,579,645	76,203,159	5,150,000	9,959,526	15,109,526	55,773,514	35,539,171	91,312,685
48,141,036	23,466,731	71,607,767	8,375,000	9,748,887	18,123,887	\$6,516,036	33,215,618	89,731,655
47,345,468	21,264,196	68,609,665	10,705,000	9,374,344	20,079,344	58,050,468	30,638,540	88,689,008
46,151,803	19,304,252	65,456,054	11,325,000	8,915,747	20,240,747	57,476,803	28,219,998	108,696,891
44,143,982	17,351,002	61,494,984	11,245,000	8,434,389	19,679,389	55,388,982	25,785,391	81,174,373
43,259,164	15,586,122	58.845.286	8.495,000	8,011,363	16.506.363	51,754,164	23.597,485	75,351,649
41,835,511	13,684,685	55,520,195	9,110,000	2,636,676	16.746.676	50.945.511	21,321,360	72,266,871
40,263,055	11,860,740	52,123,795	9,105,000	7,243,419	16.348,419	49.368.055	19,104,159	68,472,214
36,120,042	10,143,904	46,263,946	8.890,000	6.846.582	15,736,582	45,010,042	16,990,486	62,000,528
33,194,056	8,496,294	41,690,350	9.590,000	6.432.522	16,022,522	42,784,056	14,928,815	57,712,871
32,149,176	6.927,880	39,077,056	9.715,000	5.994.828	15,709,828	41,864,176	12,922,707	54,786,884
27,174,270	5,505,485	32,679,755	9,815,000	5,544,071	15,359,071	36,989,270	11,049,556	48,038,825
17,240,000	4,167,587	21,407,587	9,825,000	\$,072,969	14,897,969	27,065,000	9,240,556	36,305,556
17,385,000	3,266,511	20,651,511	10,610,000	4,570,831	15,180,831	27,995,000	7,837,341	35,832,341
17,525,000	2,402,885	19,927,885	10,405,000	4,062,883	14,467,883	27,930,000	6,465,768	34,395,768
7,020,412	1,538,230	8,558,642	11,640,000	3,526,437	15,166,437	18,660,412	5,064,667	23,725,079
10,495,412	1,072,287	11,567,699	11,915,000	2,943,697	14,858,697	22,410,412	4,015,984	26,426,396
2,580,000	748,202	3,328,202	11,615,000	2,376,449	13,991,449	14,195,000	3,124,651	17,319,651
2,660,000	634,421	3,294,421	8.275,000	1,907,866	10,182,866	10,935,000	2,542,287	13,477,287
2,750,000	517,187	3,267,187	8,325,000	1,506,402	9,891,402	11,135,000	2,023,589	13,158,589
2,840,000	396,419	3,236,419	8,220,000	1,099,968	9,319,968	11,060,000	1,496,387	12.556,387
2,935,000	271,962	3,206,962	9,145,000	674,919	9,819,919	12,080,000	946,881	13,026,881
930,000	209,250	1,139,250	7,560,000	265,617	7,825,617	3,490,000	474,867	8,964,867
930,000	162,750	1,092,750	315,000	72,959	387,959	1,245,000	235,709	1,480,709
930,000	116,250	1,046,250	330,000	58,044	388,044	1,260,000	174,294	1,434,294
630,000	69,750	999,750	350,000	42,319	392,319	1,280,000	112,069	1,392,069
930,000	23,250	953,250	365,000	25,784	390,784	1,295,000	49,034	1,344,034

of the Forward Refunding Bonds, See "PART I - PLAN OF FINANCE min of Finance, City of Modelly, Wignin.

Figures may not sun due as monthly. Deep not account for the potential debt service uning that would result from the insur
—Finance processes. The Control of the City is necessarily and the City is a control of the City in the City is a control of the City in the City is a control of the City in the City is a control of the City in the City is a control of the City in the City is a control of the City in the City in the City is a control of the City in the City Source Notes:

5970,538,874

\$373,678,680

\$144,903,680

\$228,775,000

\$741,763,874

entimed net dels service on the Chys' General Obligation Variable Rate Demand Bonds, Serica 3507, assuming an average intenst rate of 3.74%.

In a plan of the service on the Chys' General Obligation Variable Rate Demand Bonds, Serica 3507, assuming an average like the service of the Rate of the Rate of the Service Service of the Service Ser

sed on March 24, 2011 (the '2011 BANs'). The City 86 98 9 68

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# DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES

### Overlapping Debt

The City is autonomous from any county, town or other political subdivision. There are no overlapping or underlying taxing jurisdictions with debt outstanding for which City residents are liable.

### Short-Term Borrowing

The City has not borrowed on a short-term basis for working capital purposes in the past five Fiscal Years.

### Capital Lease Obligations

The City does not have any capital lease obligations outstanding.

### Water Revenue Bonds

bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the water system, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year net revenues are not less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service for the Fiscal Year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund and the repair and replacement reserve fund. The Fiscal Year 2012 results reflect Since 1993, and for all future financings, capital improvements of the Water Utility System have been and are anticipated to be financed with revenue bonds. The revenue covenant for these revenue compliance with this requirement.

## Parking System Revenue Bonds

with revenue bonds. The City expects to refund, redeem and defease all outstanding parking system revenue bonds and the Master Indenture of Trust that secures them with a portion of the proceeds from the 2013A Bonds and the 2013B Bonds. See "PART IV – ENTERPRISE FUNDS – PARKING Since 1997, capital improvements of the Parking Facilities Fund have been financed primarily FACILITIES FUND.

### Debt History

The City has never defaulted in the payment of either principal of, or interest on, any indebtedness.

## Capital Improvement Program Budget

The City has a Capital Improvement Program ("CIP") budget which plans for capital type improvements for a five-year period. This CIP budget is reviewed and revised annually. The City approved its CIP budget for Fiscal Year 2014 on May 14, 2013. The total of the CIP capital project included in the CIP budget for Fiscal Year 2014 is either approved for funding in the CIP budget for Fiscal Year 2015 through 2018. Future budget for Fiscal Year 2014 is \$129,290,582, which includes \$12,209,866 in cash contributions. Each

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year projects in the CIP Budget are considered for planning purposes only and may be modified, at any time, by the City Council. In addition, the CIP budget is used by the City as a means of identifying shortand long-term needs and as a guide for identifying various funding sources for future CIP budgets.

The CIP budget is developed in coordination with and at the same time as other City budgets. It is prepared for submission by the City Manager to the City Council concurrently with the Proposed Operating Budget. Hearings are held as appropriate, and the final CIP budget is adjusted with a determination being made of the source and amount of funding to be recommended for each item.

The CIP budgets for Fiscal Years 2013 and 2014 are summarized in Table II-8.

Table II-8 City of Norfolk, Virginia Capital Improvement Program for Fiscal Years 2013 and 2014

Uses	Fiscal Year 2013	Fiscal Year 2014
General Capital Projects	\$49,395,100	\$88,840,382
Parking Fund Projects	2,500,000	2,900,000
Stormwater Fund Projects	5,815,200	4,815,200
Water Fund Projects	18,870,000	15,735,000
Wastewater Fund Projects	17,000,000	17,000,000
Total Capital Program	\$93,580,300	\$129,290,582
Appropriation Source		
General Capital Projects		
From Bond Issue	\$42,622,444	\$79,780,716
From Capital Projects Fund Balance		1,950,000
Reappropriation of Prior Bond Authorization	4,662,990	
From School Funds	•	3,200,000
From Land Acquisition / Revolving Fund		800,000
From General Fund	¥	999,609
From Public Amenities		1,500,000
From Cash	2,109,666	1,000,000
Parking Fund Projects		
From Bond Issue	2,170,000	90
From Cash	330,000	2,900,000
Storm Water Fund Projects		
From Bond Issue	3,500,000	3,500,000
From Cash	2,315,200	1,315,200
Water Fund Projects		
From Bond Issue	18,750,000	14,850,000
From Cash	120,000	885,000
Wastewater Fund Projects		
From Bond Issue	17,000,000	17,000,000
Total Capital Program	893,580,300	\$129,290,582

Sources: Capital Improvement Program Budget, Fiscal Years 2013 and 2014.

Table II-9
City of Norfolk, Virginia
Capital Improvement Program
Fiscal Years 2014 – 2018

Description	FY-2014 Budget	FY-2015 Plan	FY-2016 Plan	FY-2017 Plan	FY-2018 Plan	FY 2014 - 2018 Total
General Capital	\$88,840,382	\$49,809,600		\$40,350,000	\$20,500,000	\$230,675,982
Storm Water Fund	4,815,200	4,815,200	4,815,200	4,815,200	4,815,200	24,076,000
Parking Facilities Fund	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	14,500,000
Wastewater Fund	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000	85,000,000
Water Fund	15,735,000	19,220,000	13,550,000	15,320,000	18,250,000	82,075,000
Total Capital Program	\$129,290,582	\$93,744,800	\$69,441,200	\$80,385,200	\$63,465,200	\$436,326,982

Source: Capital Improvement Program Budget, Fiscal Year 2014,

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### PART III FINANCIAL INFORMATION

### Fiscal Year

The City's Fiscal Year commences July 1 and closes on June 30.

### Reporting Entity

For financial reporting purposes, in accordance with generally accepted accounting principles ("GAAP"), the City's financial statements include the City of Norfolk (primary government) and the following component units:

- The School Board of the City of Norfolk (the "School Board");
- The Employees' Retirement System of the City of Norfolk; and
- Waterside Associates Limited Partnership.

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Contact information for such administrative offices can be obtained through contacting the office of the Director of Finance of the City. Effective July 1, 2012, the Norfolk Community Services Board is no longer a component unit.

# BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE

The City's financial statements include the following sections:

Management's Discussion and Analysis ("MD&A").

 The MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities.

Basic Financial Statements. The Basic Financial Statements include:

- Government-wide financial statements, consisting of a statement of net assets and a statement of activities;
- Fund financial statements, consisting of a series of statements that focus on information of the government's major governmental, proprietary and fiduciary funds and component units; and
- Notes to the financial statements provide information essential to a user's understanding of the basic financial statements.

Required Supplementary Information ("RSI"). In addition to MD&A, budgetary comparison schedules are presented as RSI along with other types of data as required by the Government Accounting Standards Board ("GASB").

The government-wide financial statements are reported using the economic resources, measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when a liability is incurred, regardless of

the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fiduciary fund financial statements do not have a measurement focus. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 45 days of the end of the Fiscal Year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the Fiscal Year for which the taxes have been levied, net of allowances for uncollectible accounts. Expenditures, other than interest on general long-term obligations, are recorded as related fund liabilities when incurred. Interest on general long-term obligations is recognized when due.

## INDEPENDENT ACCOUNTANTS

Section 99 of the City Charter requires that "...as soon as practicable after the close of each fiscal year an annual audit shall be made of all the accounts of the city offices...by certified public accountants selected by the council...". The firm of KPMG LLP serves as the City's independent auditors. The audited general purpose financial statements for Fiscal Year 2012 with accompanying notes are published.

### BUDGETARY PROCESS

The City Charter requires that no less than 60 days before the end of the Fiscal Year, the City Manager must submit to the City Council a proposed balanced operating budget for the ensuing Fiscal Year that commences July 1. The Public Schools' proposed budget is approved by the School Board, transmitted to the City Manager for review and then submitted to the City Council for consideration as part of the City's general operating budget. The City Council is required to hold a public hearing on the budget at which time all interested persons have the opportunity to comment. See the subsection "GENERAL FUND OPERATING BUDGET RESULTS FOR FISCAL YEAR 2012 – General Fund Operating Budget" for a discussion of the General Fund Operating Budget for Fiscal Years 2013 and 2014.

The financial forecast, the first step in the budget process, is an essential component of the annual process of assessing the City's overall financial condition and looking at its finances in a multi-year context. The primary objective of the financial forecast is to project where current budget decisions lead in terms of future revenue and expenditures and their impact on the City's financial stability. It is believed that the financial forecast provides the opportunity to proactively evaluate policies with the goal of maximizing opportunities or, in the worst case, minimizing the negative impact of economic documents.

### FINANCIAL POLICIES

On July 23, 2013, the City Council adopted a resolution that formalized certain financial policies of the City (the "Financial Policies"). The Financial Policies were adopted to strengthen the City's long-

term fiscal responsibility by emphasizing budget and debt policies and provide a framework within which future financial decisions will be considered and made. The Financial Policies provide that the City should strive to achieve a structurally balanced budget, and material policies provide that the City should strive to achieve a structurally balanced budget, the undesignated, unassigned surplus in the General Fund of at least 0.5% of the General Fund budget (up to \$2 million) will be used to finance capital projects, reduce debt or find reserves. The Financial Policies also provide that the City will add to its General Fund Unassigned Reserve, Risk Management Reserve and Economic Downtum Reserve in that order of priority. The Financial Policies establish the minimum balances at 5% of the General Fund budget for the General Fund Unassigned Reserve with no maximum balance starbush the Economic Downtum Reserve (with a maximum balance of \$5 million) and \$3 million for the Risk Downtum Reserve (with a maximum balance of \$5 million). The Financial Policies provide that net tax-supported debt service should not exceed 3.5% of total taxable property value. The Financial Policies also provide certain policies for the Parking Facilities Fund. See "PART IV — ENTERPRISE FUNDS — Parking Facilities Fund."

## GENERAL GOVERNMENTAL REVENUE

#### Overview

General governmental revenue is derived from general property taxes, other local taxes, permits, privilege fees and regulatory licenses, fines and forfeitures, use of money and property, charges for services, recovered costs and non-categorical aid, shared expenses and categorical aid from the Commonwealth. General Fund disbursements include the normal recurring activities of the City, such as police, public works, general government, transfers to the School Operating Fund for local share of costs and to the Debt Service Fund to pay principal and interest on the City's general obligation bonds for other than enterprise fund purposes.

## Property Tax Rates, Levies and Collections

An annual ad valorem tax is levied by the City on the assessed value of real property located within the City as of July 1, and on tangible personal property located within the City as of October 1. Real property taxes are the largest single source of tax revenue. Tax rates are applied to the assessed variation of property taxes are the largest single source of tax revenue.

The ratio of the assessed value of real property to its estimated fair market value is 100% (other than public service properties). The City taxes several categories of personal property, each of which is assessed on a different basis. Machinery and tools are assessed at 100% of original cost; vehicles and boats are assessed at 100% of certain published loan values; and mobile homes are assessed on the same basis as real property.

The City has the power to levy taxes on property located within its boundaries without limitation as to rate or amount for the payment of its obligations. Rates are established by the City Council. The tax rates approved in the Operating Budget for Fiscal Year 2014 on each \$100 of assessed value are as follows: \$1.50 for recreational vehicles; \$2.40 for aiplanes; \$1.14 for real property; \$4.23 for parsonal property; \$4.25 for machinery and tools; and \$1.14 for mobile homes. The rate on personal recreational boats consists of a decal fee of \$10 or \$25, depending on the length of the boat, plus a tax of \$0.50 per \$100 on the assessed value of the boat. The tax rate for commercial boats is \$1.50 per \$100 of the assessed value of the boat and a boat decal is not required. The tax rate for real property located in the Citys Downtown Improvement District is an additional \$0.16 on the real property rate of \$1.31 per \$100 of assessed value.

Real property levies are payable during the year of assessment in four equal installments, on or before September 30, December 5, March 31 and June 5. Personal property, recreational vehicles, machinery and tools, mobile homes, airplanes and boat levies are payable on or before June 5 of the year assessed or thirty days after acquisition. Certain types of personal property such as automobiles, trucks, motorecycles, trailers and recreational vehicles are prorated throughout the year and payable 30 days after acquisition.

In the event any installment of taxes on any of the properties listed above is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

The City Council may require the sale of real property in satisfaction of delinquent taxes, pursuant to the provisions of Section 89 of the City Charter.

### Other Revenue Sources

The City levies various other local taxes: (1) a 1% local sales tax (collected by the Commonwealth and remitted to the City); (2) a tax on water, electric and gas utility bills; (3) a cigarette tax of 75 cents per packet of 20 cigarettes; (4) property transfer recordation taxes; (3) an automobile license tax; (6) various business license/franchise taxes; (7) a hotel and motel tax of 8% and a 82 per room, per night surcharge of which 1% is dedicated to tourism and economic development; (8) an amusement and admissions tax of 10%; and (9) a food and beverage food tax of 6.5%, which includes alcoholic beverages, of which 1% is dedicated to tourism and economic development.

Fees, Licenses and Permits – The City requires that licenses or permits be obtained for the performance of certain activities and that fees be paid for services provided by certain City departments.

Revenue from the Commonwealth – The City receives payments for highway maintenance, a share of state sales taxes allocated for education and, in addition, reimbursement for a portion of expenditures for such functions as Sheriff's Office, Commissioner of the Revenue, City Treasurer, Clerk of the Circuit Court and Commonwealth's Attorney office. The City also receives categorical aid revenue for such purposes as public assistance, education and local law enforcement.

Other Revenue – The primary sources of other revenue to the General Fund include transfers from the Water Utility and Wastewater Utility Funds, interest on investments and impact aid from the federal government. Tables III-1A and III-1B show the City's General Fund revenue by source for each of the last 10 Fiscal Years.

Table III-IA City of Norfolk, Virginia Total Revenue by Source, Governmental Funds Fistal Years 2003 – 2012 (Amounts in Thousands)

Inter- Sovernmental Revenue Total										
In Recovered Gover Costs Rev										
_	\$24,785									
Charges for Services	111									
Use of Money and Property	162'8 \$	8,333	10,232	10,498	11,105	10,650	8,332	6,746	7,169	4 604
Fines and Forfeitures	\$1,569	1,627	1,763	1,461	1,605	1,317	1,260	1,164	1,298	1 100
Licenses and Permits	\$2,973	3,204	3,542	4,088	4,071	4,055	4,012	3,526	3,691	3 676
Other Local Taxes										
General Property Taxes	\$168,893	178,361	193,293	211,788	235,399	241,290	252,004	257,055	258,004	250,017
Fiscal Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2013

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012.

Table III-1B
City of Norfolk, Virginia
Other Local Tax Revenues by Source, Governmental Funds
Fiscan Venrs 2013 - 2012
(Amounts in Thousands)

Fiscal Year Ended June 30	Sales and Use Taxes	Consumer's Utility Taxes	Business License Taxes	Motor Vehicle Licenses	Cigarette Taxes	Restaurant Food Taxes	Other	Tota
2003	\$25,854	\$37,930	\$18,472	\$3,462	\$4,220	\$21,680	\$21,229	\$132,8
2004	27,867	39,231	20,279	3,456	7,639	21,808	20,395	140,0
2005	29,497	39,371	22,015	2,605	6,948	22,550	27,491	150,4
2006	30,652	43,337	24,412	3,576	6.819	27,277	21,543	157,0
2007	32,402	42,586	25,268	3,529	6,957	28,578	19,799	159,1
2008	31,791	46,582	26,343	3,498	7,577	28,758	18,024	162,5
2009	29,484	44,142	27,692	4,005	7,333	28,078	17,192	157,926
2010	28,249	44,053	26,009	4,308	7,176	27,292	16,528	153,0
2011	28,411	43,188	25,849	4,313	7,161	28,474	16,490	153,8
2012	27,599	43,588	28,667	4,318	8,097	30,300	18,665	161,2

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012.

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Table III-2 sets forth the assessed value of all taxable property in the City for the past ten Fiscal Years. The total assessed value of all taxable property in the City at June 30, 2012, was approximately \$20.5 billion. The estimated assessed value of tax-exempt properties owned by federal and Commonwealth governments, churches and schools, among others, was approximately \$9.7 billion for Fiscal Year 2012 and is presented in Table III-3.

Table III-2
City of Norfolk, Virginia
Assessed Valuations and Estimated
Actual Values of Taxable Property
Fiscal Years 2003 – 2012
(Amount In Thousands)

22 11										
Estimated Actual Taxable Value <sup>(4)</sup>	\$10,939,757	11,814,930	12,835,957	14,663,411	17,619,217	20,578,641	21,308,309	21,777,754	21,383,674	20.529.023
Total Taxable Assessed Value <sup>(3)</sup>	\$10,939,757	11,814,930	12,835,957	14,663,411	17,619,217	20,578,641	21,308,309	21,777,754	21,383,674	20.529.023
Other Property <sup>(2)</sup>	\$271,046	281,578	305,154	316,863	324,387	193,287	233,703	226,801	230,756	238,497
Personal Property <sup>(1)</sup>	\$1,311,951	1,503,713	1,569,991	1,655,021	1,687,318	1,983,503	1,676,811	1,610,680	1,832,276	1,613,797
Real Property <sup>(1)</sup>	\$ 9,356,760	10,029,639	10,960,812	12,691,527	15,607,512	18,401,851	19,397,795	19,940,273	19,320,642	18,676,729
Fiscal Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012.

Notes: (1) Real property and personal property includes both general and public service corporations

- (2) Other property includes machinery and tools, mobile homes, airplanes and boats.
- (3) Taxable property values are based on data supplied by the City's Commissioner of the Revenue. Adjustments were made to prior years' data to reflect the figures reported in the Commissioner of the Revenue's Annual Reports.
- (4) Estimated actual property values are based on data supplied by the City's Commissioner of the Revenue and the City Assessor.

Table III-3

City of Norfolk, Virginia
Estimated Value of Nontaxable Real Property (0)
Fiscal Years 2009 – 2013
(Amounts In Thousands)

	Federal Gov	vernment	City of N	forfolk	Norfolk Red and Housing	levelopment g Authority	Comme	nwealth	Organiza	All Other	Total	-
Fiscal Year Ended June 30	Assessed	Estimated Tax Value	Assessed	Estimated Tax Value	Assessed	Estimated Tax Value	Assessed	Estimated Tax Value	Assessed	Estimated Tax Value	Assessed	Estimated Tax Value
2009	\$5,001,343	\$55,515	\$1,970,451	\$21,872	\$546,112	\$6,062	\$67,882	\$753	\$2,458,410	\$27,288	\$10,044,197	\$111,491
2010	5,012,218	55,636	2,111,344	23,436	624,889	6,936	86,250	957	2,593,841	28,792	10,428,542	115,757
2011	5,027,656	55,807	2,130,587	23,650	663,759	7,368	90,948	1,010	2,622,567	29,110	10,535,517	116,944
2012	4,122,082	45,755	2,177,030	24,165	615,196	6,829	87,631	973	2,744,048	30,459	9,745,988	108,180
2013	5,032,370	55,859	2,152,041	23,888	609,433	6,765	88,081	826	2,741,544	30,431	10,623,468	117,920

Sources: Annual Reports of the City Assessor 2009 - 2013.

- (1) The assessed value was 100% of fair market value. The Fiscal Year 2013 estimated tax value is at a rate of \$1.11 per \$100 of estimated assessed value.
- (2) All other organizations include religious organizations, secular organizations, universities, Virginia Port Authority, Norfolk Airpert Authority and other regional general municipal entities.

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Table III.4 presents the property tax rate per \$100 of assessed value and the equalization ratios used to determine the fair market value of taxable property for Fiscal Years 2010 through 2014.

Table III-4 City of Norfolk, Virginia Direct Property Rates Fiscal Years 2010 – 2014

		H	Fiscal Year		
	2010	2011	2012	2013	2014
Property tax rate per \$100 of assessed value:					
Real Property	\$1.11	\$1.11	\$1.11	\$1.11	\$1.15
Business Improvement District	0.16	0.16	0.16	0.16	0.16
Personal property	4.25	4.33	4.33	4.33	4.33
Machinery and tools	4.25	4.25	4.25	4.25	4.25
Mobile homes	1.11	1.11	1.11	1.11	1.15
Airplanes	2.40	2.40	2.40	2.40	2.40
Boats (business)	1.50	1.50	1.50	1.50	1.50
Boats (recreational)	0.50	0.50	0.50	0.50	0.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00
Assessed value of real property as a percent of fair market value:					
As determined by the City Assessor	%00'96	100.00%	100.00%	100.00%	100.00%
of Taxation (1)(2)	N/A	N/A	N/A	N/A	N/A

Sources: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012, Approved Operating Budget, Fiscal Year 2014.

Notes: (1) The most recent Virginia Assessment/Sales Ratio Study is for 2012.

(2) The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2010 through 2012.

The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. Table III-5 sets forth the City's assessed values and tax levies on real and personal property for Fiscal Years 2008 through 2012.

Table III-5
City of Norfolk, Virginia
Assessed Valuation and Change in Property Tax Levy
Fiscal Years 2008 – 2012
(Amounts In Thousands)

Assessed Valuation

Fiscal Year Ended June 30 Real Propert 2008 \$18,401,851 2009 19,397,735 2010 10,407,735
d Jur 2008 2009

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012.

Source:

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Table III-6 sets forth information concerning the City's real and personal property tax collection rate for Fiscal Years 2003 through 2012.

Table III-6

City of Norfolk, Virginia

Real and Personal Property Tax Levies and Collections (0)

Fiscal Years 2003 – 2012

(In Thousands)

Fiscal Year Ended June 30	Original Tax Levy	Adjusted Tax Levy <sup>(2)</sup>	Current Collections	Percent of Current Collections to Tax Levy(3)	Delinquent Collections	Total Collections	of Total  Tax  Collections to Tax  Levy(3)
2003	\$179,220	\$156,223	\$155,276	99.39%	\$ 930	\$156,206	%66'66
2004	191,397	166,456	165,100	99.19	1,335	166,435	66.66
2005	209,202	183,406	180,348	98.33	3,021	183,369	86.66
2006	227,796	202,908	197,669	97.42	5,152	202,821	96.66
2007	254,703	230,243	219,993	95.55	8,312	228,305	99.16
2008	258,016	243,614	220,253	90.41	20,678	240,931	98.90
2009	261,535	252,376	233,725	92.61	16,099	249,824	66'86
2010	258,544	258,328	239,192	94.59	15,967	255,159	77.86
2011	254,756	254,350	235,518	92.60	14,054	249,572	98.12
2012	247,529	247,529	233,396	94.29	•	233,396	94.29

Source: Department of Finance, City of Norfolk, Virginia.

Notes: (1) Delinquent tax collections are reported in the year collected. Figures are unaudited.

(2) Adjusted to reflect residual taxable amount after exonerations and reassessments.

(3) Calculated using the Adjusted Tax Levy amounts and not the Original Tax Levy amounts.

Table III-7 sets forth the City's 10 largest taxpayers and the assessed value of real property owned by each such taxpayer during Fiscal Year 2013. The aggregate assessed value of the 10 largest taxpayers represented 6.24% of the City's total assessable base at June 30, 2013.

Table III-7 City of Norfolk, Virginia Ten Principal Real Property Taxpayers<sup>(1)</sup> June 30, 2013

Taxpayer	Type of Business	Real Property Assessed Value	Percentage of Total Real Property Assessed Value to Total Assessed Value
Dominion Virginia Power MacArthur Shopping Center LLC	Public Service Utility	\$292,679,729	1.60%
(Taubman Co.)	Retail	160,697,300	0.88
Norfolk Western Railway Company	Railroad	130,136,689	0.71
Verizon Virginia, Inc. Old Dominion University Real Estate	Public Service Utility	114,436,112	0.62
Foundation	Real Estate	97,755,300	0.53
Norfolk Southern	Railroad	86,978,700	0.47
Dominion Tower Ltd. Partnership	Public Service Utility	70,699,085	0.39
Virginia Natural Gas, Inc.	Public Service Utility	66,624,400	0.36
Wells Fargo Building	Real Estate	65,577,400	0.36
Military Circle Ltd. Partnership	Real Estate	58,279,300	0.32
Total Principal Taxpayers		\$1,143,864,015	6.24%

Sources: Department of Finance and Real Estate Tax Assessor's Office, City of Norfolk, Virginia.

Note: (1) Based on total assessed value of taxable real property including public service corporations as of June 30, 2013, was \$18,319,948,478.

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## GENERAL FUND EXPENDITURES

## Costs of General City Government

The costs of most general government functions are paid from governmental funds. These costs include expenditures for police protection, fire and paramedical services, public health and social services, planning and zoning management, code enforcement, street maintenance, traffic control, parks and cemeteries operation and maintenance, recreation and library services, economic development, refuse disposal and general administrative services. Table III-8 presents the number of positions budgeted for employees (including salaries and related employee benefits such as health insurance and pension contributions).

Table III-8
City of Norfolk, Virginia
Budgeted Positions
Fiscal Years 2010 – 2014

Budgeted Positions (1)	4,071	3,902	3,912	4,007	3 976
Fiscal Year	2010	2011	2012	2013	2014

Sources: Approved Operating Budgets, Fiscal Years 2010 through 2014.

Note: (1) Figures shown represent the number of permanent and permanent part-time General Fund positions, exclusive of School Board positions.

## Protected Self-Insurance Program

The City is exposed to various risks of losses related to torts; theft and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 11, 1978, the City established a protected Self-Insurance Program Fund, pursuant to an ordinance adopted by the City Council, to cover itself from these risks of losses. The program provides for the payment of claims liabilities, property losses and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims and related expense payments made during Fiscal Year 2012 was \$6,660,414.

The City currently reports all these activities as part of the risk management function in the general government section of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2012, these liabilities were \$\$31,400,391 of which \$\$3,649,622 represents the current portion anticipated to be paid within a year. Estimated liabilities for Fiscal Year 2012 were determined by an independent actuary.

Changes in the City's claims liability amount in Fiscal Years 2008 through 2012 are as follows:

Fiscal Year	Unpaid Claims Beginning Balance	ū	Claims Paid	
2008	\$25,066,660	\$12,313,224	\$12,305,870	\$25,059,306
2009	25,059,306	14,134,010	4,686,127	
2010	34,507,189	174,757	4,411,759	
2011	30,270,187	5,628,197	4,225,302	
2012	31 673 082	4 403 895	4 676 586	

### Retirement Plan

The City has a single-employer noncontributory, defined benefit retirement plan that covers substantially all employees of the City, excluding School Board and Constitutional Officers employees who are covered by the Virginia Retirement System. The City's contribution requirements are designed to fund the plan's current service cost. Actuarially required contributions are appropriated each year by City Council. See Section IX of the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012, attached hereto as Appendix A, for a discussion of the City's pension plans.

Total annual pension contributions for all City employees over the last three Fiscal Years to the City's noncontributory retirement are presented in Table III-9. The Fiscal Year 2013 and Fiscal Year 2014 actuarially determined contribution rate is applied to the then current payroll and produces an annual actuarially required contribution (ARC) of \$40.8 million and \$41.9 million, respectively. These figures fills find the ARC for those years, as identified by the January 2013 Actuarial Valuation Report by Cheiron, Inc. The City's funded ratio for Fiscal Year 2013 is estimated to be 80%.

Table III-9
City of Norfolk, Virginia
Schedule of Annual Pension Contributions
Fiscal Years 2010 - 2012<sup>(3)</sup>

Annual Pension Contribution	\$35,515,472	42,828,229	41,466,456	
Fiscal Year	2010	2011	2012	

: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012.

## Other Post-Employment Benefits

In June 2004, the GASB issued Statement No. 45 ("GASB 45"), Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, which the City was required to implement with respect to its financial statements for Fiscal Year 2008. GASB 45 established new standards as to how the City must account for report the costs of its Other Post-Employment Benefits ("OPEB") – health insurance, life insurance, and other non-pension benefits provided to its retirees.

GASB 45 requires that the City and Schools recognize the costs of their OPEB during the period of their employee's active employment, while the benefits are being earned, and disclose their unfunded

Note: (1) Actuarially required Pension Contributions are funded and paid in the Fiscal Year following the contribution determination.

actuarial accrued liability in order to accurately report the total future cost of post-employment benefits and the financial impact on the City. These GASB 45 requirements are very similar to requirements for pension benefits.

During Fiscal Year 2008, the following steps were taken in preparation for the implementation of GASB 45:

- The City and Schools completed an actuarial valuation of the benefits;
- The City's Retirement Board of Trustees agreed to act as an OPEB Board of Trustees to manage the investment function of a formal employee benefit trust, should such a trust be established; and
- The City allocated \$1,898,253 in excess of the Fiscal Year 2008 existing pay-as-you-go contributions toward addressing the liability.

Over time, the City and the Schools plan to gradually increase funding until the annual actuarial required contribution is fully funded. As of July 1, 2012, the following was projected:

	Č	Schools	Lotal	
Actuarial Accrued Liability as of July 1, 2012 (1)	\$57,193,058	\$69,496,659	\$126,689,717	
Net OPEB obligation as of June 30, 2011	25,458,971	11,711,301	37,170,272	
Actuarial Required Contribution for Fiscal Year 2013	6,370,162	4,728,547	11,098,709	
Estimated Pay Go contribution and Explicit Subsidies	(4,469,549)	(2,347,690)	(6.817,239)	
Net OPEB obligation as of June 30, 2012	\$27.359.584	\$14,092,158	\$ 41,451,742	

Source: Actuarial Valuation Report by Cheiron, Inc. measures as of July 1, 2012, for Fiscal Year 2013.

Estimates as shown assume the City and Schools establish a trust. Estimate for the Schools assumes a payas-you-go or "Pay Go" basis for calculating liability and the City assumes a prorated basis for calculating
liability.

# **Employee Relations and Collective Bargaining**

The Supreme Court of Virginia has ruled that in the absence of legislation, municipalities and school boards in Virginia do not have the authority to enter into collective bargaining agreements.

# PUBLISHED FINANCIAL INFORMATION

The City issues and distributes a Comprehensive Annual Financial Report on its financial operations for each Fiscal Year. The City also publishes annually an Operating Budget and a five-year Capital Improvement Program Budget. These documents are available via the internet at www.norfolk.gov. In addition, the City will undertake to provide or cause to be provided extain Annual Financial Information described in the section "CONTINUING DISCLOSURE" to fulfill the requirements of the Rule promulgated by the SEC. See Appendix C "FORM OF CONTINUING DISCLOSURE AGREEMENT."

# GENERAL FUND OPERATING BUDGET RESULTS FOR FISCAL YEAR 2012

On the budgetary basis of accounting, General Fund revenues were \$795,566,423 representing 100.07% of budgeted revenue. General Fund expenditures were \$771,752,681 representing 97.07% of budgeted expenditures. Table III-10 summarizes key financial results.

# Table III-10 City of Norfolk, Virginia General Fund Operating Budget Summary Results for Fiscal Year 2012

	Fiscal Year 2012 Final Budget	Fiscal Year 2012 Results	Percent of Budget	f Variance Positive (Negative)
Total Revenue and non-revenue receipts	\$795.016.200	\$795,566,423	100.07%	\$ 550,223
Total Expenditures	795,016,200	771,752,681	97.07%	23,263,519
Revenue greater (less) than expenditures	S O	\$ 23,813,742		\$23,813,742

ce: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012.

## General Fund Operating Budget and Results

The City Council adopted the CIP budget for Fiscal Year 2013, which totals \$93,580,300, on May 22, 2012. See Table II-8 in the section entitled "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES - Capital Improvement Program Budget."

The Fiscal Year 2013, General Fund Operating Budget (the "Fiscal Year 2013 Budget") was adopted on May 22, 2012, and totals \$799,790,809 reflecting a 0.6% increase over the adopted Fiscal Year 2012, General Fund Operating Budget of \$795,016,200. Real estate tax revenues, the largest general property tax source, are estimated to decline by approximately 0.85% in Fiscal Year 2013 from the previous year's revenues. Revenues from federal government aid are anticipated to decrease 45% or nearly \$5.5 million.

Except where noted, the financial data in this Official Statement is excerpted from the published audited Comprehensive Annual Financial Report (the "CAFR") for Fiscal Year 2012. The audited CAFR for Fiscal Year 2013 is expected to be published in December 2013.

The following is a summary of Fiscal Year 2013 General Fund financial data that is preliminary, unaudited, subject to change due to internal adjustments and pending the results of the independent audit.

The City estimates that General Fund Revenue was \$801.6 million, or 0.2% less than the final 2013 budgeted revenue of \$803 million. The largest variances appear to be attributable to state revenue estimated to be approximately \$300,000 less than budgeted, due to lower social services expenditures and a reduction in federal revenues of approximately \$500,000 due to the timing of receiving reimbursement from storm damage. Larger shortfalls in zoo admissions and refuse fees further contributed to the revenue shortfall, as shown in charges for services, by an estimated \$600,000. Local taxes make up about 19 percent of the City's General Fund revenues. The Commonwealth provides nearly 34 percent of General Fund revenues. The Commonwealth provides nearly 34 percent of services, transportation, City's share of personal property tax relief funds and the tax on rental of ears.

Expenditures were approximately \$789 million, or approximately 1.8% less than the final 2013 budget of \$803 million. The reductions in the operating budget were achieved through control of discretionary spending, savings in across-the-board reductions in expenditures and specific departments/offices absorbing Commonwealth reductions and ongoing realignment of expenditures to reduce costs. Combining the lower than budgeted revenues and expenditures, the City preliminarily expects to end Fiscal Year 2013 with a General Fund positive variance of approximately \$12.6 million.

The City Council adopted the CIP budget for Fiscal Year 2014, which totals \$129,290,582 on May 14, 2013. See Table II-8 in the section entitled "DEBT INCURRED BY OTHER GOVERNMENTAL ENTITIES—Capital Improvement Program Budget."

The Fiscal Year 2014, General Fund Operating Budget (the "Fiscal Year 2014 Budget") was adopted on May 14, 2013, and totals \$817,500,799 reflecting a 2.2% increase over the adopted Fiscal Year 2013, General Fund Operating Budget of \$799,790,809.

The Fiscal Year 2014 Budget focuses on targeted priorities including education, public safety and neighborhood revitalization. The budget was balanced on a multi-faceted approach: raise revenue, reduce expenditures and become more efficient and grow the economy. Revenue was increased, in part by an increase in the Real Estate Tax Rate by four cents to: (i) fund the new School Construction, Technology, and Infrastructure (CTI) Program, (ii) fund by Norfolk Public Schools operating expenses, and (iii) fund general fund operating expenses, and (iii) fund operations including ambulance, police record service fees and planning permit technology; fees. Expenditures were reduced and efficiencies gained through the elimination of redundant processes and the reduction of certain budget items, continuation of focus no cost containment measures and identifying further opportunities for operating efficiencies through internal and external collaboration.

Major revenue and expenditure categories for the Fiscal Year 2013 and Fiscal Year 2014 budgets are summarized in the following tables.

Table III-11A City of Norfolk, Virginia General Fund Budget Fiscal Year 2013

Anticipated Revenue Receipts	Budget	Appropriations For Expenditures	Approved Budget
General Property Taxes	\$244,871,000	Legislative	\$ 4,549,986
Other Local Taxes	154,180,000	Executive	2,052,514
Permits and Fees	4,427,928	Department of Law	3,930,466
ines and Forfeitures	1,235,800	Constitutional Officers	5,532,679
Use of Money and Property	6,903,200	Judicial	47,334,967
Charges for Services	35,908,538	Office of Elections	873,086
Miscellaneous Revenue	8,904,776	General Management	48,861,230
Recovered Costs	11,372,200	Non-Departmental Appropriations	63,282,992
Non-Categorical Aid - Virginia	31,982,000	Community Development	2,093,459
Shared Expenses - Virginia	19,333,200	Parks, Recreation and Cultural	35,857,061
Categorical Aid - Virginia	237,923,794	Public Health and Assistance	51,981,175
Gederal Aid	6,805,200	Public Safety	105,766,540
Other Sources and Transfers In	35,943,173	Public Works	42,000,527
		Debt Service	78,098,397
		Education	302,033,320
		Subtotal	\$794,248,399
		National Maritime Center (Nauticus)	\$5,542,410
Total	\$799,790,809	Total	\$799 790 809

Source: Approved Operating Budget for Fiscal Year 2013.

Table III-11B City of Norfolk, Virginia General Fund Budget Fiscal Year 2014

Anticipated Revenue Receipts	Approved Budget	Appropriations For Expenditures	Approved Budget
General Property Taxes	\$255,632,400	Legislative	\$ 4,607,534
Other Local Taxes	154,727,600	Executive	4,384,072
Permits and Fees	2,350,340	Department of Law	4,040,898
Fines and Forfeitures	1,203,300	Constitutional Officers	5,595,812
Use of Money and Property	7,226,500	Judicial	49,188,896
Charges for Services	38,372,254	Office of Elections	843,921
Miscellaneous Revenue	9,781,303	General Management	40,679,397
Recovered Costs	10,676,100	Non-Departmental Appropriations	68,550,148
Non-Categorical Aid - Virginia	31,981,000	Community Development	9,148,345
Shared Expenses - Virginia	20,820,050	Parks, Recreation and Cultural	42,294,665
Categorical Aid - Virginia	239,087,828	Public Health and Assistance	51,093,100
Federal Aid	6,539,621	Public Safety	106,203,040
Other Sources and Transfers In	39,102,503	Public Works	42,983,976
		Debt Service	75,929,113
		Education	311,957,882
Total	\$817,500,799	Total	\$817,500,799

Approved Operating Budget for Fiscal Year 2014.

Table III-12
City of Norfolk, Virginia
General Governmental Expenditures by Function
Fiscal Years 2003 – 2012
(Amounts In Thousands)

Ended	Government	Judicial	Public	Public	Health and Public		Culture	Community	Debt	Inter-	Capital	
2003	S 64 630	C 9 280	C121 207	CS1 163	SAS 140	C 88 854	CAO 140	Development \$17,673	Service \$48,448	Covernmental SS 061	C 27 770	2563 378
2004 (1)	76.127	35.603	94.979	80.613	76.221	90.020	40.081	8,048	49.551	6.140	45.026	602,409
2005	67,434	38,110	102.278	64,497	83,451	91.865	40.290	12,716	65.468		85,144	651.253
2006	92,062	41.795	105,634	46,959	91,535	92,595	42,995	13,552	56,462	2	91,632	675.221
2007	102,031	45,173	108,565	49,161	93,397	97,595	46,397	11,158	54,789		94,595	702.861
2008	110,974	47,331	116,208	60,370	95.159	101,095	51.071	10,745	60,728		114,007	767,688
2009	102,426	50,347	118,073	56,146	91,648	104,511	52,248	668'6	71,758		104,892	761,948
2010	190'26	48,726	115,488	59,574	89,682	101,011	51,708	10,851	69,834		99,210	743,145
2011	80,855	47,535	115,975	70,124	79,757	104,511	45,862	16,565	80,540		76,534	718,258
2012	100,504	48,233	116,296	62,330	74,331	104,512	44,529	15,142	85.043		98,892	749.812

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012.

Sheriff and Jail expenditures were reclassified in Fiscal Year 2004 from Public Safety to Judicial Administration.

RESULTS OF FINANCIAL OPERATIONS

A comparative balance sheet at June 30, 2011, and at June 30, 2012, extracted from the June 30, 2012, Comprehensive Annual Financial Report for the General Fund is presented in Table III-13. The Comparative Statement of Revenue and Expenditures for the City's General Fund for the past five Fiscal Years are presented in Table III-14. The City's most recent General Fund statements of changes in fund balances for the past five Fiscal Years are summarized in Table III-15.

Table III-13
City of Norfolk, Virginia
Balance Sheet, General Fund
June 30, 2012, with comparative totals for 2011

	2011	2012
ASSETS		
Cash and short-term investments	\$60.426.113	\$65.871,509
Receivables, net:		
Taxes	49,321,490	41,295,356
Accounts	1,833,896	1,791,337
Note		
Accrued investment income	6,595	8,376
Due from other funds	19,890,925	9,638,381
Due from other governments	22,067,200	21,386,204
Restricted cash held with fiscal agent		
Prepaids	5,483	
Other assets		
Total Assets	\$153,551,702	\$139,991,163
LIABILITIES		
Vouchers payable	\$ 8,672,549	\$ 9,227,612
Employee withholdings	838,376	867,108
Contract retainage	131,427	130,133
Accrued payroll	96,700,996	4,165,872
Accrued expenses	•	
Due to other funds	217,911	884,234
Due to other government units		395,060
Due to component units	90	50 m
Deferred revenue	35,394,901	27,916,406
Other liabilities	5,314,807	3,897,547
Total Liabilities	\$57,270,967	\$47,483,972
FUND BALANCES		
Reserved for:		
Nonspendable	\$ 5,483	S
Restricted	395,000	330,000
Committed	1,898,571	3,000,000
Assigned	38,014,373	34,838,715
Unassigned	55.967,308	54,338,476
Total Fund Balances	96,280,735	92,507,191
TOTAL LIABILITIES AND FUND BALANCES	207,155,5514	5132,391,103

Sources: Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2011, and 2012.

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Table III-14
City of Norfolk, Virginia
Comparative Statement of Revenue and Expenditures, General Fund
Fiscal Years 2008 – 2012

	2008	2009	2010	1107	7107
REVENUE:					
General property taxes	\$238,739,614	\$249,021,469	\$253,711,095	\$254,342,239	\$250,117,894
Other local taxes	153,068,673	149,143,513	145,065,893	145,141,964	152,172,224
Permits and licenses	4,055,323	4,011,771	3,526,260	3,690,959	3,574,887
Fines and forfeitures	1,307,680	1,259,775	1,163,491	1,287,993	1,106,931
Use of money and property	7,208,529	6,468,854	6,044,924	6,634,420	6,367,808
Charges for services	19,937,632	20,382,047	29,402,549	31,629,625	32,030,115
Miscellaneous	4,792,166	6,323,499	5,113,199	8,584,798	8,572,621
Recovered costs	8,620,136	8,952,032	8,205,934	10,722,712	10,311,990
Intergovernmental	122,498,492	123,889,498	116,028,629	116,589,551	112,645,842
Total Revenue	\$560,228,245	\$569,452,458	\$568,261,974	\$578,624,261	\$576,900,312
EXPENDITURES:					
Current operating:					
General government	107,878,689	102,304,247	95,385,671	78,643,175	100,373,625
Judicial administration	46,015,225	47,316,777	45,150,197	44,519,302	45,112,553
Public safety	103,792,189	107,927,615	105,006,515	103,863,085	105,379,222
Public works	42,909,508	38,806,007	44,664,401	55,910,310	46,373,034
Health and public assistance	66,221,236	65,330,416	61,463,322	59,272,655	54,974,389
Culture and recreation	41,205,827	41,805,449	39,370,680	39,502,709	40,003,396
Community development	6,542,288	6,579,369	6,924,553	10,713,656	9,955,520
Education	101,094,910	104,511,131	101,011,131	104,511,131	104,511,131
Debt service					
Principal	3.			535,000	865,000
Interest and other charges	35	×		138,279	619'201
Capital outlay Total Expenditures	\$515,659,872	\$514,581,011	\$498,976,470	\$498,612,552	\$507,355,489
Excess (deficiency) of revenue over expenditures	\$44,568,373	\$54,871,447	\$69,285,504	\$80,011,709	\$69,544,823
Other financing sources (uses):					
Proceeds of refunding bonds	20	*	٠	*	¥6
Proceeds from sale of land	11,320,660	8,487,667		6.	ē
Proceeds from capital leases	10	90	Y.	:(0)	540
Capital contributions	10	00	0		
Issuance of debt Payment to bond refinding	*1)	•	2,885,518	£	2,411,915
escrow agent	20	60		66	
Premium on bonds	7.0	•		92	100
Transfers in	10,000,000	12,948,230	12,566,907	12,940,571	12,289,939
Transfers out	(86,197,266)	(85,652,562)	(81,227,400)	(82,595,066)	(88,020,221)
(Uses)	(64,876,606)	(64,216,665)	(65,774,975)	(69,654,495)	(73,318,367)
The state of the s	1000 000 0070	1010 346 3101			Carlo man Page

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2008, through 2012.

Table III-15
City of Norfold, Virginia
Comparative Statement of Changes in Fund Balance, General Fund
Fiscal Years 2008 – 2012

			riscal rear		
	2008	2009	2010	2011	2012
Net Change in Fund Balance	\$(20,308,233)	\$(9,345,218)	\$ 3,510,529	\$10,357,214	\$(3,773,544)
Fund balance at beginning of year	88,279,421	67,971,188	58,625,970	62,136,499	96,280,735
Adjustment to beginning balance				23,787,022	1
Fund Balance at end of year	881,179,788	\$58,625,970	\$62,136,499	\$96,280,735	\$92,507,191

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2008, through 2012.

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#### PART IV ENTERPRISE FUNDS

### WATER UTILITY FUND

#### Overview

The City-owned water system (the "Water System"), operated by its Department of Utilities, is one of the largest municipal water systems in the Commonwealth. More than 1.1 million people are served by the Water System. The Water System distributes treated water throughout the City, to the City limits of the Cities of Virginia Beach ("Virginia Beach") and Chesapeake ("Chesapeake") and to the gates of Naval bases located in the City, Virginia Beach and Chesapeake. A Naval base in the City of Portsmouth ("Portsmouth") is provided raw water service. The distribution of average metered consumption in Fiscal Year 2013 is shown in Table IV-1.

Table IV-1
City of Norfolk, Virginia
Water System
Average Metered Water Delivered by Customer
Fiscal Year 2013

	Dalaiered	
	Consumption	Percent of
Customer	(MGD)	
Norfolk	16.8	
Virginia Beach	32.2	57.6
U.S. Navy	4.0	7.2
Chesapeake	2.5	4.5
	55.0	700 001

ce: Department of Utilities, City of Norfolk, Virginia.

As of June 30, 2013, the Water System provided potable water to approximately 64,654 Norfolk retail service customers (i.e. accounts) and wholesale service to the United States Navy, Virginia Beach, Chesapeake, Portsmouth and the Western Tidewater Water Authority ("WTWA"), which includes the City of Suffolk and Isle of Wight County.

#### Wholesale Contracts

A significant portion of the Water System's revenue is derived from wholesaling water to the U.S. Navy, Chesapeake, Portsmouth, Virginia Beach and the WTWA. The City has wholesale contract, whe City as wholesale contract, the City of Chesapeake purchases treated water from the City at a current rate of \$5.88 per 1000 gallons. If a wholesale contract between Chesapeake and the City pursuant to the Wholesale current of thesapeake will continue to purchase treated water from the City pursuant to the wholesale customer treated water rate ordinance. The City also has executed a raw water contract with Chesapeake and began delivering 7 MGD of raw water in 2006. In addition, the City has a contract with Virginia Beach for wheeling and treating Lake Gaston water and a contract with Portsmouth for the sale of emergency raw water. On September 29, 2009, the City entered into a 40-year raw water sales agreement with WTWA, currently comprised of the City of Suffolk and Isle of Wight County, to furnish a minimum of 3 mgd and gradually increasing to 15 mgd by 2038.

### Financial Management

On July 1, 1979, the City Council established the Water Utility Fund as a distinct enterprise fund to account for all of the financial activity related to providing water services to its customers. Since its inception, the Fund has operated on a self-supporting basis.

Historically, regular annual transfers have been made from the Water Utility Fund to the City's General Fund for payments-in-lieu of taxes and as a return on the City's investment in the Water System. Additionally, transfers have been made to pay all debt service on general obligation bonds issued by the City prior to the creation of the water revenue bond program in 1993 to pay for Water System improvements. The City intends to pay for all future Water System capital costs from revenue of the Water System and proceeds of water revenue bonds. The Water Utility Fund is reported on an accrual basis of accounting.

City general obligation debt issued to finance water utility projects is carried as a liability on the Water Utility Fund balance sheet. The Water Utility Fund provides the funds for debt service on such bands.

#### Water Rates

Retail rates are set by City Council. Effective in Fiscal Year 2004, the City Council established a long-term retail rate plan and starting in Fiscal Year 2007 water rates increase 3.5% annually and produces the following rates:

Fiscal Year	Retail Rate
2013	\$4.15 per 100 cubic feet
2014	\$4.30 per 100 cubic feet
Thereafter	3.5% annual increases each July 1

U.S. Navy and Chesapeake wholesale rate revisions for inclusion in City ordinances are approved by City Council. Virginia Beach formula driven biennial wholesale rate revisions are governed by contract. In order to encourage conservation, the current rate structure is a uniform rate per thousand gallons, with no quantity discount. Retail customers are charged a monthly service charge.

## WASTEWATER UTILITY FUND

### As of June 30, 2013:

Approximate population served	64,654 account
Total wastewater pumping stations	131 pump station
Miles of gravity wastewater mains	844.4 mile
Miles of wastewater force mains	66.4 mile

The City owns and operates a sanitary sewer system (the "Sewer System") which collects and conveys wastewater to the regional treatment agency, the Hampton Roads Sanitation District. Approximately 64,654 accounts located within the City are served by the Sewer System. Since July 1, 1983, the Wastewater Utility Fund has been operated as an enterprise fund.

City general obligation debt issued to finance wastewater utility projects as well as wastewater revenue debt is carried as a liability on the Wastewater Utility Fund balance sheet. The Wastewater Utility Fund provides the funds for debt service on such bonds.

Each customer using the City Sewer System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates

are set by City Council. Effective in Fiscal Year 2005, the City Council established a long-term retail rate plan and starting in Fiscal Year 2006, wastewater rates increase annually by 4.0% and produces the following rates:

Fiscal Year	Retail Rate
2013	\$3.39 per 100 cubic feet
2014	\$3.53 per 100 cubic feet
Thereafter	4.0% annual increases each July 1

## PARKING FACILITIES FUND

The City presently owns and operates 15 multi-level parking garages, 9 surface lots and more than 580 on-street spaces. These facilities provide a total inventory of over 19,800 downtown parking spaces. The Parking Facilities Fund was established during Fiscal Year 1990. City general obligation debt issued to finance Parking Facilities Fund projects is carried as a liability on the Parking Facilities Fund's balance sheet. The Division of Parking provides the funds for debt service on such debt. The Parking Facilities Fund's balance sheet on June 30, 2012 presents total assets of \$212 million, which includes restricted investments of over \$14 million, to be utilized for garage construction and required master indenture reserves. In addition, fixed assets, including parking structures, consist of over \$171 million of the total \$212 million in assets. The Parking Facilities Fund also manages parking enforcement operations and collects fines and deliquent fees. In Fiscal Year 2012, \$8,917 tickets were issued resulting in an 87% collection rate and elevente of \$2.3 million.

Transfers have been made from the Parking Facilities Fund to the Debt Service Fund to pay all debt service on general obligation bonds issued by the City to pay for Parking System improvements. Revenue of the Parking System has fully covered debt service on general obligation bonds issued for the Parking System.

As the Parking System has matured and economic conditions have changed, the City undertook a comprehensive process to ensure the short- and long-term fiscal strength of the Parking Facilities Fund. On July 23, 2013, City Council adopted a resolution formalizing Parking Facilities Fund financial and other parking Parking Facilities Fund financial and provide a resolution formalizing Parking Facilities Fund financial and provide a resolution formalizing Parking Facilities Fund financial and provide a provide a provide and provide a 
The approved policy provides that the Parking Facilities Fund will continue to be self-supporting, maintain annual net revenue in an amount sufficient to provide debt service coverage of at least 1.1 times its total annual debt service, limit variable-rate debt to approximately 20 percent (20%) of its total outstanding debt, and maintain a working cash balance, excluding any future balance in the Debt Service Reserve, of a minimum of 240 days of operating and maintenance expenses. Additionally, the Parking Facilities Fund will strive to maintain an unpledged debt service reserve fund equal to one half of maximum annual debt service on Parking Facilities Fund debt. See "Part III – Financial Information – Financial Policies."

The Parking System Revenue Bonds were issued under a Master Indenture of Trust, which is expected to be defeased in its entirety with the issuance of the 2013A Bonds and 2013B Bonds. The City, as part of its approved policies for the Parking Facilities Fund, has designated certain reserve fund provisions. The Parking Facilities Fund will continue to maintain the Repair and Replacement Reserve with a minimum of \$400,000 to pay the costs of capital repairs and replacements with respect to all of the system. Additionally, the Parking Facilities Fund will maintain the MacArthur Center Garage Reserve Fund in an amount not-to-exceed \$750,000 to pay reasonable and necessary expenses for the MacArthur Center Center.

PART V THE CITY OF NORFOLK

#### INTRODUCTION

The City of Norfolk was established as a town in 1682, as a borough in 1736 and incorporated as a city in 1845. The City lies at the mouth of the James and Elizabeth Rivers and the Chesapeake Bay, and is adjacent to the Atlantic Ocean and the cities of Virginia Beach, Portsmouth and Chesapeake.

Table V-1 City of Norfolk, Virginia Area of City

Addition.

Square Mines	37.19	61.85	61.85	65.75	65.98	65.98	
Icai	1950	1960	1970	1980	1990	2013	

The City was a 2013 recipient of the National Civic League's "All-America City" award. The City received the award in recognition for innovatively promoting civic engagement and cooperation among public, private and nonprofit sectors to address local challenges, specifically in regards to Veteran's initiatives, flood mitigation and its Neighbors Building Neighborhoods program.

### CITY GOVERNMENT

Norfolk is an independent, full-service City with sole local government taxing power within its boundaries. It derives its governing authority from the City Charter, originally adopted by the General Assembly of Virginia (The "General Assembly") in 1918, which authorizes a council-manager form of government. The City Council exercises all of the governmental powers conferred upon the City. Having sought and gained approval from the U.S. Justice Department and the General Assembly, the City gave its citizens the right to elect their Mayor directly, effective May 2006. Previously the City's Mayor had been chosen by the City Council from among its members. This change added an eighth member to the City Council, with the Mayor elected at large, and retains the eurent seven wards with two members elected from super wards. The City Council lects a Vice Mayor from among its members. Among the City officials appointed by the City Council lects a Vice Manager, the administrative head of the municipal government. The City Manager carries out its policies, directs business procedures and appoints, with the power to remove, the heads of departments and other employees of the City except those otherwise specifically covered by statutory provisions. The City Council also appoints certain boards, commissions and authorities of the City.

### Certain Elected Officials

The City's current elected officials include:

### Paul D. Fraim, Mayor

In May 2006, Mayor Fraim became the City's first popularly elected mayor in nine decades. Mayor Fraim is a 27-year incumbent on City Council, and was first elected Mayor by his peers in 1994. He is the president of the law firm Fraim & Firotella, C.C., and was first elected to City Council in 1986. He has a Bachelor of Arts degree from Virginia Military Institute, Lexington, Virginia, and a Master's in Education degree from the University of Virginia, Charlottesville, Virginia. He received his law degree

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from the University of Richmond, Richmond, Virginia. Mayor Fraim is an active member of the Virginia State Bar, the Virginia Bar Association and the Norfolk-Portsmouth Bar Association and has held a number of leadership positions in these organizations.

## Anthony L. Burfoot, Vice Mayor

Mr. Burfoot, representing Ward 3, was first elected to City Council in July 2002. He is employed by the Commonwealth of Virginia as the Chief Deputy Treasurer for the City. He is also the CEO for Better Days Foundation, inc. and the President and CEO of Urban Restoration Development & Consulting, LLC. He received a Bachelor of Science degree in Public Administration and a Master's degree in Educational and Administrative Supervision from Virginia State University, Petersburg, Virginia. He is involved in many civic and business activities.

# Andrew A. Protogyrou, Council Member

Mr. Protogyrou, representing Ward 1, was first elected to City Council in May 2010. Mr. Protogyrou is an attorney and a member of Protogyrou & Rigney, P.L.C. He has a Bachelor of Arts degree from Virginia Military Institute, Lexington, Virginia, and he received his law degree from the University of Richmond, Richmond, Virginia. Mr. Protogyrou is active in many local professional and civic organizations, where he has held a number of leadership positions.

## Paul R. Riddick, Council Member

Mr. Riddick, representing Ward 4, was first elected to City Council in July 1992. He is the owner and operator of Riddick Furnerl Service in Norfolk. He attended Norfolk State University, Norfolk, Virginia, and has an Associates in Art and Sciences degree in Funeral Service from John Tyler Community College, Chester, Virginia. Mr. Riddick is active in many local professional organizations.

# Thomas R. Smigiel, Council Member

Mr. Smigiel, representing Ward 5, was first elected to City Council in May 2010. He received a Bachelor of Science degree in Education from Old Dominion University, Norfolk, Virginia, and a Master's degree in School Administration from Cambridge College's Regional Center, Chesapeake, Virginia, He is currently an Assistant Principal at Lake Taylor High School in Norfolk. He is involved in many local professional and civic organizations, where he has held a number of leadership positions.

# Dr. Theresa W. Whibley, Council Member

Dr. Whibley, representing Ward 2, was first elected to City Council in July 2006. She is an obstetrician and gynecologist in private practice at Woman Caring, PLC in Norfolk. Dr. Whibley is a graduate of Eastern Virginia Medical School, Jones Institute of Reproductive Medicine, Norfolk, Virginia, Old Dominion University, Norfolk, Virginia and the College of William and Mary, Williamsburg, Virginia. Dr. Whibley is active in many local professional organizations.

# Angelia M. Williams, Council Member

Ms. Williams, representing Super Ward 7, was first elected to City Council in November 2010. She holds a current real estate license and is a realtor with Long & Foster Realtors. Ms. Williams received an Associate of Science degree in Business Administration from Tidewater Community College in 2004. She graduated from the University of Virginis's Sorensen Institute for Political Leadership in 2005 and from the Alpha School of Real Estate in 2008. She received a Bachelor's degree in Business Administration and Political Science from Old Dominion University, Norfolk, Virginia. She is involved in many local professional and civic organizations, where she has held a number of leadership positions.

## Barclay C. Winn, Council Member

Mr. Winn, representing Super Ward 6, was first elected to City Council in July 2000. He is the Chief Executive Officer of Winn Nursey of Virginia, Inc., which is headquartered in Norfolk. He received a Bachelor of Science degree from North Carolina State University, Raleigh, North Carolina Mr. Winn is active in many civic and business activities.

### Certain Appointed Officials

## Marcus D. Jones, City Manager

Marcus D. Jones returned to the City of Norfolk in February 2011 to assume the post of City Manager. His responsibilities include the supervision of the administrative operations of the City including the preparation of its annual budget. Prior to returning to Norfolk, he served as Deputy Chief Administrative Officer for Finance & Administration for the City of Richmond, Virginia. Prior to serving in Richmond, Mr. Jones served as an Assistant City Manager and Director of Budget & Grants Management for the City of Norfolk from 2004 to 2009. In the prior decade, Mr. Jones served the Commonwealth as Governors Mark Warner and Jim Gilmore's, Deputy Secretary of Finance and Assistant Secretary of Finance, respectively. He earned his Bachelor's degree in Public Administration from James Madison University, Harisonburg, Virginia, and a Master's degree in Public Administration from Virginia Commonwealth University, Richmond, Virginia.

# Alice M. Kelly, CPA, Director of Finance

Alice M. Kelly assumed her position as Director of Finance in January 2013. At the direction of the City Manager, she is responsible for identifying strategic opportunities for the City in the policy areas of taxation, financial management and fiscal policy development. In addition, she is responsible for the administration of the financial affairs of the City which include cash management and investments, deb management, financial accounting and reporting, procurement, risk management and retiree benefits. Ms. Kelly has worked for the City since April 1990 in various capacities and departments including Utilities, Finance and Public Works. She previously served as Acting Director of Finance from June 2008 to August 2009, and prior to he appointment as Director of Finance, her most recent position was Assistant Director of Public Works. Ms. Kelly earned a Bachelor of Science degree in Accounting from Virginia Polytechnic Institute and State University (Virginia Tech), Blacksburg, Virginia. She is a licensed Certified Public Accountant and serves on the Board of the Norfolk Municipal Employees Federal Credit Union.

## Bernard A. Pishko, City Attorney

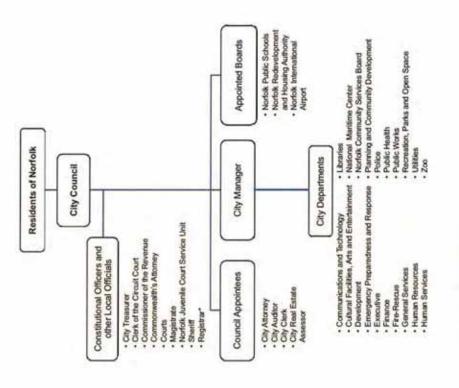
Bernard A. Pishko was first appointed by City Council as City Attorney in November 1997. He previously served as Deputy City Attorney from 1989 to 1997 and as an Assistant City Attorney from 1984 to 1989. He has practiced law since 1982. The City Attorney is also general counsel for the Norfolk School Board, Norfolk Recreational Facilities Authority, Norfolk Community Services Board, Hospital Authority of Norfolk Municipal Employees' Retirement System, Norfolk Electoral Board, Civil Service Commission and The Chrysler Museum of Art. Mr. Pishko is a member of many professional associations and community organizations. He received his undergraduate degree from Brown University, Providence, Rhode Island, a Master's degree in Business Administration from the College of William and Mary, Williamsburg, Virginia, and a law degree from the Marshall-Wythe School of Law, Williamsburg, Virginia.

# Governmental Services and Facilities

In Virginia, cities and counties are not overlapping units of government. Each city or county is a distinct political entity providing services for the population within its respective jurisdiction. The City provides a comprehensive range of public services characteristic of its form of government under Virginia law. These services are designed to provide an environment within which the educational, physical, social and cultural needs of its citizens are met. These general governmental services include police protection, fire and paramedical services, public health and social services, planning and zoning management, code enforcement, storm water management, street maintenance, traffic control, parks and cemeteries operation and maintenance, recreation and library services, economic development, solid waste disposal and general administrative services. In addition, water and wastewater utilities and parking facilities services are provided under an enterprise fund concept with user-charges set by City Council.

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#### City Organization



"Appointed by State Board of Elections

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# OTHER GOVERNMENTAL ENTITIES

## School Board of the City of Norfolk

The seven members of the School Board are appointed by the City Council. The School Board is a corporate body and in its corporate to sexted with all of the duties, obligations and responsibilities imposed upon school boards by law. The City Council is required to appropriate annually to the School Board the amount needed for the support of the public schools in maintaining educational programs which meet the standards of quality prescribed by law. Categorical aid from the Commonwealth and the federal government designated for educational purposes is included in the City's General Fund budgetary revenue. This categorical aid, plus monies derived from local sources, provides the funds for the major share of the School Board's operations. On an ongoing basis, the City also issues debt to finance needed capital projects of the school system.

The School Board presently operates 35 elementary schools, nine middle schools, five high schools and several auxiliary schools, including alternative, magnet and specialty programs. For the Fiscal Year 2012 the School Board's expenditures for education totaled \$372,450,353.

### Norfolk Airport Authority

The Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport Fund and an Investment Fund. The Airport Fund was established by the Authority to account for the operations of the Norfolk International Airport. Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the airport. The Investment Fund was established by the Authority to provide for certain airport capital improvements.

The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments.

The Authority's Commissioners are appointed by City Council, but the Commission designates its own management and has oversight responsibility for its own financial matters. The City does not provide funds for the operations of the Authority, and pursuant to Section 144(q) of the City Charter, the Authority is required to submit its amual budget to the City Council for the purposes of information only. The City has the option to reacquire, without consideration, title to all property and equipment after payment by the Authority of all obligations relating to the improvements at the airport.

# Hampton Roads Regional Jail Authority

The Hampton Roads Regional Jail Authority ("HRRJA") is a regional organization which includes the cities of Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Virginia Code and is governed by a 12 member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with each individual having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The regional jail facility (the "Jail"), which opened in April 1998, consists of approximately 385,518 square feet of building area, including three housing building units, a support building and a

central plant. The Jail holds 875 inmates, 250 of which are designated to the City. The City is responsible for 28.57% of the total operating cost less the revenue derived from the Virginia compensation Board and the per diem reimbursement from the Commonwealth for the housing of state

# The Southeastern Public Service Authority of Virginia

The Southeastern Public Service Authority ("SPSA") is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse.

SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by an eight-member Board of Directors, consisting of a representative appointed by each of the member cities and counties. Budgeting and financing of SPSAs is subject to the approval of the Board of Directors, with each individual having a single vote. SPSA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The regional system includes solid waste transfer stations in each of the member jurisdictions, a landfill, rolling stock and ancillary facilities.

# Hampton Roads Planning District Commission

Hampton Roads Planning District Commission ("HRPDC"), a regional planning agency authorized by the wrigen of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. HRPDC performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of Gloucester, Isle of Wighl, James City, Southampton and York. Revenue of HRPDC is received primarily from member contributions and various state and federal grant programs. The participating governments do not have an equity interest in HRPDC, and accordingly, no equity interest has been reflected in the City's financial statements. Complete financial statements of HRPDC can be obtained from HRPDC.

# Transportation District Commission of Hampton Roads

Hampton Roads Transit ("HRT") was created on October 1, 1999, with the consolidation of the Tidewater Regional Transit and Peninsula Transportation District Commission. It is believed to be the first voluntary merger of public transit agencies in the nation. The district continues to be a political subdivision of the Commonwealth, formed as a joint exercise of governmental power in accordance with the provisions of Chapter 32 of Title 15.2 of the Virginia Code. The District provides public transportation facilities and services within cities of Norfolk, Chesapeake, Hampton, Newport News, Portsmouth, Suffolk and Virginia Beach.

The Transportation District Commission of Hampton Roads, a political subdivision of the Commonwealth, was formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of Chapter 32 of Title 15.2 of the Virginia Code.

## Hospital Authority of Norfolk

The Hospital Authority of Norfolk (the "HAN"), which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth. The HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

# Norfolk Redevelopment and Housing Authority

The Norfolk Redevelopment and Housing Authority ("NRHA"), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. The NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with state and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. The NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. The NRHA develops its operating budget without approval from the City Council and executes contracts on its own behalf. The City does not exercise a significant degree of oversight responsibility for the NRHA, as it is responsible for designating its own management, developing its own operating budget and executing major contracts on its own behalf. The NRHA is responsible for its own financial matters as it maintains its own books of account, is audited annually by independent accountants it engages, and has authority over earnings, deficits and monies other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

# The Economic Development Authority of the City of Norfolk

The Economic Development Authority ("EDA"), a political subdivision of the Commonwealth of Virginia, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (Title 15.1, Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia (1950), as amended). It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by indusing manufacturing, industrial and commercial enterprises to locate or remain in the City and further the use of the Commonwealth's agricultural and natural resources. The EDA is empowered by the Commonwealth to authorize industrial development bonds and confer tax-exempt status on interest paid to financial institutions. The EDA acts as an intermediary between financial institutions and borrowers; it has no responsibility for borrowers' debt. Although Commissioners are appointed by City Council, the EDA designates its own management, which is self-sustaining, maintains its own books of account, and receives revenue from administrative fees charged to borrowers.

## The Slover Library Foundation

The Slover Library Foundation (the "Library Foundation"), a not-for-profit organization, was formed on October 31, 2008, to participate in the funding of a new central library for the City. Construction began in early 2012. The new central library will be named the Colonel Sanuel L. Slover Memorial Library. Two historic downtown structures, the Seaboard Building and the Selden Arrade, will be joined by an architecturally significant structure to create the new technologically advanced library. Funding provided by the Library Foundation will be used for construction costs and the purchase and maintenance of technology to be used in the library. The Library Foundation designates its own management, maintains its own books of account, engages its own independent accountant and receives its revenue from donations made by third parties.

### The Chrysler Museum, Inc.

The Chrysler Museum, Inc. (the "Museum"), a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980, by incorporating the Chrysler Museum in Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, wistors and from other independent accountant and receives its revenue from administrative fees charged to visitors and from other independent grants.

# ECONOMIC AND DEMOGRAPHIC FACTORS

#### Population

As reflected in Table V-2 and V-3 below, from 2003 to 2012 the City's population grew 3.6%. The City is the second most populous city in Virginia, as shown in Table V-3.

Table V-2
Population Trend Comparisons
2003 - 2012

Calendar Year	Norfolk <sup>(1)</sup>	Hampton Roads MSA(1)(2)	Virginia <sup>(3)</sup>	U.S. <sup>(3)</sup>
2003	236,550	1,583,900	7,363,300	290,210,914
2004	238,650	1,605,900	7,454,688	292,892,127
2005	239,396	1,615,415	7,546,725	295,560,549
2006	239,355	1,619,600	7,628,347	298,362,973
2007	241,941	1,623,624	7,698,775	301,290,332
2008	242,983	1,632,970	7,795,424	304,059,724
2009	243,957	1,644,005	7,882,590	307,006,550
2010	242,803	1,648,136	8,001,024	308,745,538
2011	243,985	1,661,279	8,096,604	311,591,917
2012	245.803	1.679.326	8.185,861	313,914,040

Sources: U.S. Census Bureau and the Weldon Cooper Center.

Notes: (1) Norfolk and Hampton Roads MSA population estimates are from the Weldon Cooper Center, except for the 2010 population estimates, which are from the U.S. Census Bureau.

The Hampton Roads MSA is the Virginia portion only

(3) U.S. and Virginia population estimates are from the U.S. Census Bureau.

Table V-3 Five Most Populous Cities in Virginia

City	2010 Census Population	2012 Population Estimate
Virginia Beach	437,994	447,489
Norfolk	242,803	245,803
Chesapeake	222,209	228,210
Richmond	204,219	208,834
Newport News	180,719	183,331

Sources: U.S. Census Bureau and the Weldon Cooper Center,

Table V-4 provides an annual comparison of per capita personal income since 2002.

Table V-4
City of Norfolk, Virginia
Per Capita Personal Income Comparisons
2002 – 2011

alendar Year	City	Hampton Roads MSA	State	U.S.
2002	\$26,006	\$29,603	\$33,737	\$31,481
2003	27,893	31,442	35,033	32,295
2004	28,930	32,723	36,869	33,909
2005	30,875	34,413	38,898	35,452
2006	30,609	36,567	41,218	37,725
2007	34,375	38,689	43,261	39,506
2008	35,330	40,146	44,691	40,947
2009	34,690	39,325	43,192	38,846
2010	35,816	40,234	44,267	39,937
2011	36.873	41.976	46.107	41.560

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System. 2011 is most recent year for which data is available.

The age distribution of the City's population is presented in Table V-5.

Table V-5
City of Norfolk, Virginia
City Population Distribution by Age
1960 – 2010

Year	Population	Under 20	20-64	65 or Olde
1960	305,872	39.8%	54.5%	5.7%
1970	307,951	35.4	57.8	8.9
1980	266,979	30.7	60.1	9.2
1990	261,250	28.1	61.4	10.5
2000	234,403	27.3	61.5	11.2
2010	242,803	25.3	65.3	9.4

Source: U.S. Census Bureau.

# Housing and Construction Availability

The City has seen total home sales increase by 8.8% for the calendar year through August 2013, as compared to the same period for the 2012. Total sales for the calendar year through August 2013 were 1,783, as compared to 1,639 for the same period for 2012. The average home price through August 2013 has increased approximately 12%, from \$176,968 to \$198,172, when compared to the same period for 2012.

Table V-6 provides an annual breakdown of residential building permits over the past 10 Fiscal Years.

Table V-6 City of Norfolk, Virginia Residential Construction Fiscal Years 2004 – 2013

Fiscal Year	Building Permits	Number of Units	Value (in thousand)
2004	506	992	\$ 83,525
2005	260	1,191	204,391
2006	531	1,058	133,053
2007	389	491	68,476
2008	277	815	101,212
2009	209	535	35,878
2010	191	621	58,729
2011	221	479	37,298
2012	268	371	39,360
2013	385	948	67,302

Source: Permit Tracking System, Department of Planning, City of Norfolk, Virginia.

Table V-7 presents annual nonresidential construction permits, which includes commercial buildings, public buildings, public utility buildings and miscellaneous structures, over the past 10 Fiscal Years.

Table V-7 City of Norfolk, Virginia Nonresidential Construction Fiscal Years 2004 – 2013

2004 2005 2006 2007 2008		(in thousands
2005 2006 2007 2008	59	\$134,197
2006 2007 2008	70	70,677
2007	09	165,989
2008	55	81,396
000	35	102,714
2009	38	138,131
2010	35	104,922
2011	27	40,073
2012	26	116,401
2013	28	105,635

Source: Permit Tracking System, Department of Planning, City of Norfolk, Virginia.

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#### Employment

Businesses in the City provide residents with employment opportunities in a variety of industries of which services, government and trade are the most significant.

The unemployment rate for the City is illustrated in Table V-8.

Table V-8
City of Norfolk, Virginia
Unemployment Rates

Calendar Year	Norfolk	Hampton Roads MSA	Virginia	U.S.
2004	5.1%	4.0%	3.7%	5.5%
2005	5.0	3.9	3.5	5.1
2006	4.2	3.3	3.0	4.6
2007	4.1	3.2	3.1	4.6
2008	5.3	4.2	4.0	5.8
2009	8.7	7.1	6.9	9.3
2010	9.2	7.5	7.1	9.6
2011	8.5	7.1	6.4	8.1
2012	7.9	9.9	5.9	8.1
2013(1)	7.5	6.2	5.8	7.7

Source: U.S. Bureau of Labor Statistics.

te: (1) Figures as of July 2013.

Table V. Virginia
City of Norfolk, Virginia
Civilian Employment and Average Weekly Gross Wages
1" Quarter, 2013

Average

			Ser in the	
	Number of	Number of	Weekly	Percentage of
	Establishments	Employees	wage	Employment
Construction	380	3,769	\$ 851	2.80%
Manufacturing	144	902'9	1,085	4.98
frade, Transportation & Utilities	1,221	24,867	805	18.47
nformation	95	2,749	1,121	2.04
inancial Activities	575	8,038	1,243	5.97
Professional & Business Services	1,037	20,867	1,214	15.50
Education and Health Services	894	38,273	698	28.42
eisure and Hospitality	640	12,441	346	9.24
Other Services	568	4,123	552	3.06
ublic Administration	70	12,825	1,338	9.52
Total	5,624	134,658	N/A	100.00%

Sources: U.S. Bureau of Labor Statistics. Virginia Employment Commission, Quarterly Census of Employment & Wages Program. Totals include non-disclosable data.

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## Federal Government Impacts

From October 1, 2013, through October 16, 2013, the United States Government initiated a partial shutdown due to Congress failing to pass authorization for funding of government operations for fiscal year 2014. This shutdown has affected most federal government agencies with the exception of the U.S. Postal Service, active military personnel, air traffic control, federal corrections personnel and NASA mission control. Prior to the federal government shutdown, on September 30, 2013, President Obama signed into law H.R. 3210, known as the Pay Our Military Act, which provides pay authorization for military personnel and defense contractors supporting our armed forces. Additionally, Social Security beneficiaries will continue to receive payments. The effects of a protracted federal government shutdown on state and local municipalities have yet to be determined, and the City continues to monitor the situation and expects to respond as it deems necessary.

Additionally, as a continuation of the federal government sequestration, which began in fiscal year 2013, federal subsidy payments to issuers of direct pay qualified bonds will be cut by 7.2% in fiscal year 2014. This cut will affect the subsidy received on the City's Series 2010B Build America Bonds, Series 2010B Recovery Zone Economic Development Bonds, Series 2010F Recovery Zone Economic Development Bonds, Series 2010F Recovery Zone Economic Development Bonds. The 2013C Bonds are expected to be direct pay qualified bonds and thus will be affected by cuts in subsidy payments caused by federal budget sequestration. The total sequestration amount expected to be deducted from the City's anticipated subsidy payment for fiscal year 2014 represents only 0.02% of the City's fiscal year 2014 budget of \$817.5 million. The City budgets for all interest payments on a gross basis, so any subsidy reduction is not expected to materially affect the City's finances.

Federal sequestration could result in a softening of the regional economy due to the concentration of direct and indirect federally funded employment; however, any potential adverse effects on the City's revenue sources are not expected to be material.

### Economic Development

Economic development initiatives are focused on the attraction, expansion and retention of businesses, neighborhood and community revitalization and commercial corridor development. Some of the City-led initiatives to stimulate commercial revitalization include: Tax Abarement Program, State Enterprise Zone, Federal Empowerment and HUBS Zones, Small Area Aesthetic Matching Grant Program. Aesthetic Improvement Grant Pool, Pedestrian Commercial Overlay Zones, Tax and Grant Benefits, Concentrated Development Zone Incentives, public infrastructures and amentifies. In the past 18 months, the City has seen economic development from existing and new business, as well as new retail development and redevelopment of existing infrastructure, including over \$40 million in business expansion and retention and the creation of approximately 400 jobs for existing companies; over \$50 million in investment from new business and the creation of approximately 300 jobs; over \$41 million in new retail investment and the creation of approximately 570 retail jobs; and over \$300 million in retenivestment and redevelopment projects. The following pages describe many of the economic development projects that account for these investments and employment.

### Downtown Development

Downtown offers a mix of cultural attractions and entertainment for its citizens and tourists. The average vacancy rate for Downtown Class A office space as of July 2013 is approximately 11.46%, as shown in Table V-10 below.

Table V-10
City of Norfolk, Virginia
Downtown Norfolk Vacancy
Lab. 2013

Class A	Rentable SF	Vacant SF	% Vacant
150 West Main Street	225,498	36,347	16.12%
Crown Center	58,674	٠	0.00
Dominion Tower	403,276	39,592	9.82
Main Street Tower	187,000	4,105	2.20
Norfolk Southern Tower	293,035	32,006	10.92
Wells Fargo Center	299,887	42,849	17.15
World Trade Center	366,106	49,556	13.54
Total	1.833,476	204,455	11.46%

rrce: CoStar, July 2013.

Bank presence along Main Street includes Bank of America, BB&T, Monarch, Old Point National, PNC, SunTrust, TowneBank and Wells Fargo. Bank of Hampton Roads, Heritage, Southern Bank and several credit unions are also located downtown.

The Wells Fargo Center, a \$170 million office, retail and residential development opened June 2010, on Monticello Avenue lajar tail station, as well as to MacArthur Center, Scope and Chryster Hall. The Wells Fargo Center includes a 23-story Class A office tower and 1.830 parking spaces in two garages built by the City. The project also includes Monticello Station, a 121-unit apartment development, as well as \$6,000 square feet of retail space.

The construction of a new \$123.3 million Consolidated Courts Complex, which broke ground in January 2012, is underway near City Hall adjacent to the Civic Plaza light rail station. This new complex will house the General District, Circuit, and Juvenile and Domestic Relations Courts, and is scheduled to be completed by fall 2015.

The retail presence on Granby Street expanded in 2012 to include Urban Outfitters, an eclectic national clothing chain that targets teens and young adults.

### Residential Development

Neighborhood revitalization is one of the City's core initiatives and part of the economic development plan. By increasing the diversity of housing opportunities, the City expects to increase the diversity of its citizenry and expand the tax base. The City's goal for neighborhood and commercial development is to provide an environment that will increase private sector investment, retail salest generation and corresponding municipal revenue generation, create a framework for targeted and coordinated public and private investment and build upon and coordinate with other ongoing community development initiatives.

Residential investment continues to grow throughout the City, including downtown. The Belmont at Freemason, located downtown adjacent to a Tide light rail station, opened in September 2010. It contains 241 apartments in two buildings and a garage with 531 parking spaces at Brambleton and Bute

Streets with an estimated value of \$45 million. Plans are underway to convert the Savoy, a historical building, into affordable work force apartments. Other new residential projects downtown include 401 Granby Street (65 units), 416 Boush (71 units), and the Wainwright Apartments (126 units).

Residential development also continues to grow in areas beyond downtown Norfolk. The River House, a \$32 million, 194-unit luxury apartment community on Haven Creek at the Granby Street Bridge opened in 2009. The River House is anticipated to strengthen the Riverview commercial corridor and boost prospects for development of adjoining property in this vital area situated between two desirable and historic neighborhoods. 201 Twenty-One, a \$41 million, mixed-use 4-story structure in Ghent with 224 apartments and over 50,000 square feet of retail space, opened in September 2010. The District at ODU, a project with 307 apartments specifically targeted to students attending Old Dominion University, opened in August 2010. The 180-unit Meadowood Apartments, a \$21 million investment, opened in October 2011. SouthWind Apartments, a \$15 million development in Denby Park on a former trailer park, is now occupied. Additional investment along Newport Avenue includes Westport Commons, an \$80 million townhouse/condominium project. Promenade Pointe, with 187 apartments, is under construction near Roland Park. The Element at Ghent, with 164 apartments is also in the planning stages.

The seven-mile stretch of beaches on the Chesapeake Bay known as Ocean View experienced redevelopment over the past decade. The East Beach section of Ocean View will have 700 housing units with prices ranging from \$350,000 to over \$1.5 million, with an average home sales price of \$733,507. A portion of the homes are currently occupied with the remainder of the properties planned for development. Lot sales total approximately \$47 million representing nearly \$230 million in home values and approximately \$2,553,000 in annual real estate taxes to the City. The East Beach community was the site of 2012 Homearama, which was the third time it was held there. A 157-unit condominium development to the south of East Beach, Pointe East at Harbor Walk, is being developed by Franciscus Homes. East Beach Marina Apartments, with 136 apartments, is also being developed in East Beach.

Broad Creek is a \$200 million community near Norfolk State University with 600 mixed-income homes. In Broad Creek, the region's first mixed-use, mixed-income community, construction is complete on 400 rental units and 70 homes. Construction on Broad Creek Village, a mixed-use residential and retail development, began during 2008, and is being followed by Broad Creek's final phase of 200 mixed-income residential units north of Princess Anne Road.

The City is also redeveloping the Fort Norfolk area, which is a 30-acre urban waterfront area linking downtown Norfolk to the region's medical complex and Ghent community. In the Fort Norfolk section of downtown Norfolk, the City's first retirement community, known as Harbor's Edge, opened in September 2006. Riverview Lofts, a project to convert a former industrial building into 81 condominiums, opened in 2012. Fort Norfolk Plaza, across Brambleton from the medical complex that includes Sentara Norfolk General Hospital and Eastern Virginia Medical School, is a \$70 million, 9-story medical office tower and parking garage that opened in August 2010.

#### Arts and Culture

Norfolk offers a mix of cultural attractions and entertainment for its citizens and tourists.

Norfolk's entertainment and theatre venues include the Attucks Theatre, the Harrison Opera House,
Chrysler Museum, and the "Theater District" which includes Chrysler Hall, Jeanne and George Roper
Theatre, Wells Theatre and the NorVa.

Two major projects underway in 2013 are: the expansion and renovation of the Chrysler Museum of Art, and the consolidation on Granby Street downtown of the Governor's School for the Arts. The \$24 million Chrysler Museum project will include a 10,000 square foot addition as well as renovations to the main building. The Governor's School for the Arts is consolidating several instruction spaces into the historic 52,000 square foot Monroe Building, spurring a \$9 million renovation expected to be completed

in December 2013. The consolidated Granby Street campus will be home to over 360 students, faculty

A major city initiative underway is the development of a Downtown Arts and Design District, in the area north of Brambleton Avenue. Sparked by interest from the public, a workgroup was established to explore possibilities for an arts district and to develop an implementation plan. Urban Design Associates was hired to develop a master plan for an arts district. The City engaged Team Better Block to create a "living charette" to support the vision of future development and improvements. In May 2013 the City council adopted revisions to the D-4 downtown zoning district to create a Downtown Arts and Design zoning district with an expanded mission statement and list of permitted use more in line with the vision of the arts district.

Other recent investments to the City's cultural attractions include the Virginia Arts Festival headquarters, a home for the Hurrah Players, and the Chrysler Museum Glass Art Studio. The Virginia Arts Festival moved into its 18,000-square-foot building, the Clay and Jay Barr Education Center, in Adugust 2010. The building, which is located across the street from Chrysler Hall, houses year-round education outreach activities, a rehearsal and infinate performance space, as well as the Festival's administrative offices. Adjacent to the Education Center is the new home of the Hurrah Players, which features a 100-scat theater and two rehearsal halls. The Chrysler Museum Glass Studio, an addition to Norfolk's Chrysler Museum, opened in November 2011. The studio is a state-of-the-art, 7,000 square foot facility which supports artists working in a variety of glassmaking processes, including blown glass, easting, fusing, flameworking, and cold working. Located adjacent to the museum, the facility is the only one of its kind in the Mid-Atlantic region, and spotlights the museum's extensive glass collection.

Improvements to the Virginia Zoological Park for the Trail of the Tiger exhibit have been completed, and construction is nearing completion for a new \$4.25 million animal wellness center. The Zoo Animal Wellness Center will consist of an \$000 square foot Veterinary Hospital and \$3,000 square foot Nutrition Center. The hospital will provide state of the art surgical and treatment suites, laboratory and pharmacy. One wing of the hospital will be for housing animals that have just arrived at the Zoo and animals that may be sick. The surgical and treatment suites will have large viewing windows on the outside walls so visitors will be able to see treatment in progress.

The 80,000 square foot Half Moone Cruise and Celebration Center opened in spring 2007 and is located in the harbor between Town Point Park and Nauticus/Battleship Wisconsin. The Half Moone Center continues to serve as a multi-purpose facility for the City. In 2012, the City celebrated its eleventh anniversary of welcoming Carnival Cruise Lines to the Half Moone Center. Nearly 40,000 cruise passengers utilized the terminal in 2012, and the City anticipates approximately 50,000 will utilize the terminal in 2013. In June 2013, Carnival Cruise Lines announced that it would not deploy any ships from the City after 2013. The City is pursuing other cruise line partners.

The Slover Memorial Library, a new main public library, is under construction. It combines the historic downtown Seaboard Building with a new architecturally significant structure designed by a nationally recognized New Haven, Connecticut architectural firm, Newman Architects. The City plans to combine the historic integrity of the Seaboard Building with a seamless expansion creating a state-of-the-art, highly efficient library complex. A \$20 million gift from Frank Batten Sr., announced in 2008, allowed the City to accelerate the planning and construction of the downtown library by at least ten years. An additional \$20 million brings the total project investment to over \$60 million. The MacArthur Memorial completed a \$6 million expansion in 2012. In the Wards Corner section of the City work has begun on a new \$8.5 million performing arts center for Norfolk Collegiate School. Also in Wards Corner, construction of an 8-acre shopping center anchored by Harris Teeter is expected to open in the spring of 2014.

Today, there are more than 350 public art programs that support thousands of artists' projects in government buildings, the airport, in libraries, in parks and in neighborhoods. Additional artwork is being displayed in the new light rail stations.

### Transportation Initiatives

The City's new light rail system, the Tide, began operation in August 2011, exceeding passenger count expectations. The Tide runs from the Eastern Virginia Medical School complex near Fort Norfolk to the Newtown Road/Virginia Beach city line. Amrtrak passenger rail line service connecting Norfolk to Washington DC via Petersburg and Richmond began operation in December 2012. Estimated annual ridership is 67,000. The intercity passenger rail will serve a multi-modal center located at Harbor Park, which includes a light rail station and will feature ferry service to Portsmouth. The initial phase will include construction of a \$3 million, 3,500 square foot train station to support the new service. The facility will link intercity passenger rail to the light rail and regional bus systems, ferry service, cruise ship facilities and provide direct inferstate access.

In 2012 construction began on the Downtown Tunnel/Midtown Tunnel/MLK extension project. This \$1.9 billion project achieved financial close on its senior and subordinate funding in April 2012, is planned to occur over the next five years and involves state-backed outreach for small, women-owned, minority or disadvantaged businesses, as well as an on-the-job training program. On May 21, 2013, a final order was entered in the Circuit Court of the City of Portsmouth, Virginia, regarding a lawsuit styled Meeks, et al. v. Virginia Department of Transportation & Elizabeth River Crossings Opco, LLC. The ruling of the lawsuit prevents tolls, which were expected to pay for construction expenses, from being imposed on the project. The case was heard in the Supreme Court of Virginia in September 2013 and a ruling is anticipated in November 2013. Both the Virginia Department of Transportation and its contracting partner, Elizabeth River Crossings Opco, LLC, have indicated that they expect the project will continue in some manner regardless of the outcome.

The state-funded Hampton Boulevard Grade Separation project is an \$89 million project, expected to be completed in the summer of 2014. This project will remove the railroad crossing conflict affecting Hampton Boulevard by depressing the road below the existing railroad tracks to improve vehicular traffic to the port terminals and Navy base.

In December 2012, the Commonwealth reached a commercial and financial close with US 460 Mobility Partners and Route 460 Funding Corporation of Virginia to finance, design and build a new 55-mile section of the U.S. Route 460 in southeastem Virginia. The new route will be a four-lane divided highway from Prince George County to Suffolk. The Commonwealth anticipates that this project will being jobs and business benefits to the region and will create opportunities for distribution centers and light manufacturing that will drive case the Port of Virginia.

In 2013 construction is expected to begin on the 1-564 intermodal connector project. This \$170 million project is expected to alleviate congestion and improve the level of service on City and naval station streets. The road repositioning is expected to reduce truck traffic on the adjacent roadways.

In order to provide additional state funds to road construction and maintenance, effective July 1, 2013, the Commonwealth commenced collecting an increased sales and use tax and new state and regional taxes on gasoline, motor vehicle sales and other specific taxes, which includes the collection of sales and use taxes from remote sellers (i.e., retailers that, other than their sales to residents, do not have a physical presence in the Commonwealth). Under existing federal law, the Commonwealth does not have the authority to collect state and local retail sales and use tax from remote sellers, but if federal law changes, then the taxes on remote sellers will be collected. In addition, purchasers in the Hampton Roads region, which includes the City, will pay increased sales and use taxes and other specific regional taxes on region, which includes the City, will pay increased sales and use taxes and other specific regional taxes on regardors that take place in Hampton Roads jurisdictions. Receipts from such additional taxes must be

used to pay for transportation projects within the region. Such projects will be prioritized and selected by the Hampton Roads Transportation Planning Organization, a metropolitan planning organization having representatives from all Hampton Roads jurisdictions. There can be no assurance that these new state and regional taxes will not be changed, but such taxes are expected to generate approximately \$880 million per year for transportation funding across the Commonwealth, with the Hampton Roads regional taxes expected to generate approximately \$200 million per year for the Hampton Roads regional taxes.

#### Norfolk Airport

Norfolk International Airport ("NIA") is one of the most powerful economic generators in the Hampton Roads region. Currently, NIA is served by American, Delta, Southwest, United and US Airways. Offering over 150 arrivals and departures daily to major cities throughout the United States, NIA presently ranks in the top 20% of the country's airports in terms of passengers served annually, with nearly 3.3 million passengers and 84,000 flights in 2012.

NIA generates nearly 1,700 jobs and over \$135 million in direct economic impacts annually. More than 760,000 annual visitors use NIA and other facilities in the region and contribute an additional \$565 million in indirect economic impacts that create more than 12,500 local jobs with a payroll in excess of \$210 million. Total direct and indirect/induced economic impact to the region is nearly \$1.1 billion annually, according to the Commonwealth of Virginia Statewide Impact Study – Technical Report, issued Augusts 2011.

HMS Host, the concession provider, has completed an expansion and upgrade of the dining facilities and a \$17 million facelift to the main terminal lobby and screening area is underway.

#### Hotel Development

Norfolk has nearly 5,000 hotel rooms, including over 1,500 in the downtown area. Tourism and conventions employ over 6,700 workers in the City and generate 524.1 million in state taxes and 52.1.2 million in local tax revenue. Travelers to the City spend over 5690 million annually. A \$126 million hotel and conference center to be constructed downtown was announced in March 2013 and will include a 50,000 square foot conference center; a 20-story hotel with 300 rooms, three restaurants, rooftop garden and bar; and a 600-space parking garage. It is being developed by Gold Key PHR Hotels and Resort, with delivery expected as early as spring 2016. The Norfolk Waterside Marriott, a 397 room hotel, completed as 454.5 million renovation in October 2013.

## Waterfront Recreation Investment

Town Point Park, located in the downtown area along the Elizabeth River, brings thousands of visitors downtown annually and generates both tax and parking revenue for the City. Construction was completed on an \$11.5 million renovation in July 2009, the first renovation in its 25 year history.

Norfolk was chosen as one of five ports to host OpSail in 2012. The 2012 event was part of the commemoration of the bicentennial of the War of 1812 and the birth of the "Star Spangled Banner." The U.S. Navy participated in a parade of sails and events throughout the region depicting the history of the U.S. Navy, Norfolk and the Port of Hampton Roads hosted the OpSail flotilia from June 6-11, 2012, in conjunction with the City's annual Harborfest.

Norfolk has seven miles of Chesapeake Bay beachfront and a total of 144 miles of shoreline along its lakes, rivers and the Chesapeake Bay. Numerous marinas are all along Downtown's Elizabeth River, the Lafayette River, lakes, the Hampton Roads Harbor and the Chesapeake Bay. East Beach, located on the Chesapeake Bay, was named one of the top restored beaches in America in 2008 by the

American Shore and Beach Preservation Association due in part to the investment of \$2.5 million in beach erosion funds.

In December 2011, the City received five proposals from a request for proposals issued by Waterside Associates LLC for the redevelopment of Waterside Festival Marketplace. The City is negotiating with the Cordish Company for an approximate \$28 million renovation that would reposition the facility into Waterside Livel a world-class dining and entertainment complex.

#### Sports and Recreation

Norfolk has several waterfronts with the Chesapeake Bay on its north boundary and two major rivers within its boundaries. The City has a public boat ramp in Willoughby Spit with access to the Chesapeake Bay, a well as the recently rehabilitated Haven Creek boat ramp with access to the Lafayette River. Three golf courses are also located within the City.

The Kroc Center, an \$80 million state of the art community center located in the Broad Creek is scheduled to open in 2014. Norfolk's center is the final of 22 Kroc Centers being built across the nation by the Ray and Joan Kroc Foundation and the Salvation Army.

The Y on Granby, a 32,000 square foot YMCA facility in Park Place, opened in June 2013. The \$8 million project features an outdoor pool with slides, soundproof music room, gym and computer lab. The construction of an early childhood center is expected to be completed in late 2014 or early 2015.

The Skate Park at Northside Park is a professionally designed, 21,000 square feet skate plaza. The concrete facility integrates transitional and street style elements into one park. Designed to be one of the region's largest, tournament-style skate parks, it boasts one of the largest bowls in Hampton Roads with a 7 to 9 transition next to a mini half-pipe.

The Southside Aquatic Center, a \$7.7 million facility, opened in September 2013. The 20,000 square foof facility, located in Campostella, features a 25-yard, six-lane competition pool, as well as two 1-meter diving boards, a two-story twisty tube slide, locker rooms, and instructional areas. There also will be a handicap-accessible plunge area.

Norfolk is home to the Norfolk Tides, (a AAA minor league baseball team) and the Norfolk Admirals (an AHL hockey team), Virginia's only AAA professional sports franchises. Old Dominion University ("ODU") began a fooball program in the fall of 2009, and currently competes in the Conference USA. Norfolk State University has a long-established football program, which currently competes in the Mid-Eastern Athletic Conference.

## Norfolk's Educational Institutions

Available within the City are a wide variety of educational facilities including public elementary, middle and high schools, private and parochial schools, two universities, one college, one community college and a medical school.

#### Public Schools

Norfolk public schools have a low pupil-teacher ratio with class sizes below the national average. Norfolk offers innovative public school programs, which include Early Childhood Education, a unique, comprehensive program for three and four-year-olds and their parents located in the public housing community of Diggs Town, at the Park Place/Colonial Place Community Center and at Ocean Air Elementary.

Norfolk continues to invest in its public schools facilities. Facilities receiving renovations and new construction include Norview High School, Blair Middle School, Bay View Elementary, Granby High School, Taylor Elementary and the School of International Studies at Meadowbrook.

The new Crossroads Elementary School, housing Pre-Kindergarten - 8th grade, opened in September 2012, and replaced the existing elementary school to create a more efficient footprint on the same 10-acre site. The new school features a three story academic wing, a media center, a multi-purpose room, a gymnastium and a student dining area with a performance platform. A dedicated portion of the public portions of the building.

The City is home to the Governor's Magnet School for the Arts, Virginia's only magnet school for the arts, which offers classes in performing or visual arts to approximately 300 students from six cities and two counties. The School will be consolidating its location in downtown Norfolk on Granby Street. The facility is scheduled to open, following a \$9,900,000 renovation, in January 2014. The school system also has a program for gifted science students that enables them to study at Eastern Virginia Medical School. Student population for the past five Fiscal Years is shown in Table V-11.

Table V-11
City of Norfolk, Virginia
Public Schools Student Population
Fiscal Years 2008 - 2012

Fiscal Year	Membership	Percent Change
2008	32,947	(1.92)%
2009	32,272	(2.05)
2010	31,766	(1.57)
2011	31,485	(0.85)
2012	31.142	(1.09)

rce: Virginia Department of Education, Superintendent's Annual Report.

#### Higher Education

Norfolk is home to five institutions of higher learning: ODU, Norfolk State University, Virginia Wesleyan College, Tidewater Community College and Eastern Virginia Medical School. ODU is one of only 100 public research universities nationwide. Norfolk State University is Virginia's largest public, historically black university and the sewnle hargest in the nation. A \$17.6 million student center at Tidewater Community College's downtown campus opened in summer 2011.

A new S80 million 100,000-square-foot education and research building at Eastern Virginia Medical School opened to fall classes in 2011. It includes an auditorium, classrooms, exam rooms, training rooms, multidisciplinary labs and research space. The new building, which includes renovations to neighboring Lewis Hall, created space to increase medical student enrollment by 30% and physician sessionant student enrollment by 60%.

## Institutional Technology Parks

Old Dominion University – University Village ("University Village"). University Village is a mixed-use development initiative by the Old Dominion University Real Estate Foundation, in partnership with the City, the NRHA and private developers, and represents the expansion of a 75-acre urban village, adjacent to the Ted Constant Convocation Center. University Village includes The District Apartments,

University Village Apartments, restaurants, shops, the North Village Parking Garage, the Innovation Research Park, the president's house, Marriott SpringHill Suites Hotel, the University Bookstore and the Powhatan Sports Complex to support the expansion of the University's athletic programs. The Innovation Research Park @ ODU currently consists of two 100,000 sq. ft. Class A werkdry lab buildings, and is one of a few research parks in the country located on the campus of its research institution. It was designed to leverage the access, proximity and infrastructure of ODU, the surrounding federal labs, and military centers to aid companies at every point in their lifecycle.

Norfolk State University – Research and Innovations to Support Empowerment Center (the "RISE Center"). The RISE Center, located on the campus of Norfolk State University, is designed to promote interaction between the university, the business sector and community and federal agencies in research and technology. The first phase of the Marie V. McDemmond Center for Applied Research houses classrooms, labs and offices for professors in areas such as materials research, engineering and computational science, as well as the office of research and technology.

## Norfolk's Medical Institutions

Within the City, there are five general, acute care and specialized hospitals including Sentara Norfolk General Hospital ("Sentara Norfolk General"), Sentara Leigh Hospital, Bon Secours DePaul Medical Center, Childrens Hospital of The King's Daughters ("CHKD") and Lake Taylor Transitional Care Hospital ("Lake Taylor Transitional"). Sentara Norfolk General is home to the area's heart hospital, a 112-bed, 254,000 square feet center. CHKD, the site of Virginia's only free-standing, full-service pediatric hospital is home to one of the nation's top pediatric residency programs. With 212 rooms, the hospital serves the medical and surgical needs of children throughout the greater Hampton Roads metro area, the eastern shore of Virginia and orditeastem North Carolina.

Work on a major campus upgrade for Sentara Leigh Hospital has begun. The current hospital will be replaced with two five-story towers for inpatient rooms, a 48-bed onthopetic and rehabilitation center, and an internal garden, as well as a new parking deck for staff. The \$126 million expansion will increase the hospitals size by more than 40%, to \$17,000 square feet. The targeted opening is in 2014.

Bon Secours DePaul Medical Center is also undergoing change. The hospital recently broke ground on a new \$25 million medical office building with specialist care and a comprehensive cancer center. The third and final phase of the campus expansion is the building of a 124-bed replacement hospital, scheduled to open in 2017.

### The Virginia Port Authority

In 1981, the General Assembly passed landmark legislation designed to unify the ports in southeastern Virginia Hampton Roads harbor under a single agency, the Virginia Port Authority, with a single operating company, the Virginia International Terminals, Inc. The Port of Virginia (the "Port"), one of the world's largest natural deep-water harbors, is an integral part of Norfolk's economy.

The Virginia Port Authority is one of the top three ports on the east coast in terms of total value of port trade. In 2012, the port handled a total of 17,527,727 tons of general cargo, including 17,155,583 tons of containerized cargo, with 372,144 tons of breakbulk making up the remainder.

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Virginia Port Authority Terminals Calendar Years 2008 - 2012 General Cargo Tonnage Table V-12

eral Percent nage Change over nds) Previous Year					
Total General Cargo Tonnage (in thousands)	17,833	14,908	15,323	15,616	17 528
Calendar Year	2008	2009	2010	2011	2012

### Virginia Port Authority.

capital investment into the region. The Hearland Corridor gives the Port rail access to markets in Ohio, Illinois, Michigan and points west. Additionally, a 300-acre expansion of Norfolk International Terminal Increase in the port-related business use of the Virginia International Terminals drives new makes it the largest inter-modal center in the United States.

## **Business, Industry and Commerce**

Several major companies are headquartered in Norfolk, including:

- Norfolk Southern, a Fortune 500 company and one of the country's largest railroad operators;
- Landmark Communications, one of the country's largest privately owned media companies with ownership of several daily newspapers, local TV stations, and specialty publications;
- print and internet media group that includes numerous specialty publications and online Dominion Enterprises, a wholly-owned subsidiary of Landmark Communications, Inc.,
- FHC Health Systems, one of the top 250 largest private companies in the country, specializing in health care management, health services, and online medical reports;
- CMA CGM Inc., the America's Headquarters, one of the world's largest container transportation and shipping company;
- Portfolio Recovery Associates, a firm whose primary business is the purchase, collection and management of defaulted customer receivables and which recently expanded its regional headquarters and added approximately 350 new jobs; and

BlackHawk Products Group, which provides tactical gear such as holsters, body armor, and backpacks to the U.S. Defense Department and law enforcement agencies throughout the

The \$14 million Virginia Renaissance Center is being developed by Jacoby Development Group

at the site of the former Ford Plant in Campostella. Of the 110 acre site, 40 acres have been sold to pellets. Katoen Natie expects to create 200 jobs and in 2012 exercised its option to develop an adjacent 25 acre site. The remaining acreage is being marketed to port-related and more traditional industrial Katoen Natie for \$12 million as a warehouse and distribution center to repackage and distribute plastic companies.

There are a large variety of industrial, commercial and service employers located within the City. Table V-13 below presents data regarding the major non-government employers in the City.

Major Non-Government Employers in 1st Quarter 2013 City of Norfolk, Virginia Table V-13

Сошрану	Number of Product/Service	rvice
Sentura Heuthcure Old Dominion University Old Dominion University Children's Hospital of the King's Daughter Osorbipco Norfolk, State University Bank of America Eastern Virginia Medical School Portfolio Recovery Association Maerisk Line Limited	1,000+ 1,000+ 1,000+ 1,000+ Hospitals Educational Services Hospitals Transportation Equipment Manufacturing Educational Services Educational Services Administrative and Support Services Water Transportation	uring crivities s
Wal-Mart Tidewater Community College Bon Secours DePaul Medical Center Sentan Health Management Virginia International Terminal Tidewater Wholesale Grocery CMA-CGM (America), Inc. McDonald's McDonald's Virginia Wesleyan College Colonna's Shigyard Colonna's Shigyard	500 - 999 General Merchandise Stores Educational Services Hospitals Insurance Carriers and Related Activities Support Activities for Transportation Merchant Wholesalers, Nondurable Goods Support Activities for Transportation Food Services Ambulatory Health Care Services Educational Services Educational Services Transportation Equipment Manufacturing	vities n n n n n n ruring
Parm Fresh Metro Machine Corp. Booz Allen and Hamilton Eggleston Services Inc. Eggleston Services Inc. Eggleston Services Inc. Eggleston Services Inc. The Userland Services, Inc. Amarak Campus LLC The Educational Services, Inc. American Funds Services, Inc. American Funds Services, Inc. American Funds Services, Inc. The Vigninar-Pilot Raytheon Technical Services food Lion Lake Services Amomobile Association Lake Taylor Hospital United Express Aintran Jet Con CR&O LLC Clark Nexsen Owen Barbieri Soc LLC Clark Nexsen Owen Barbieri Soc LLC Transit Management Company	Prode and Beverage Stores Professional, Scientific and Technical Services Professional, Scientific and Technical Services Transportation Equipment Manufacturing Professional, Scientific and Technical Services Social Assistance Internet Service Providers and Data Processing Transportation Equipment Manufacturing Food Services and Drinking Places Educational Services Francial Investments Publishing Industries Professional, Scientific and Technical Services Food and Beverage Stores Insurance Carriers and Related Activities Nursing and Residential Care Facilities Air Transportation Support Activities for Transportation Professional, Scientific and Technical Services Support Activities for Transportation Administrative and Support Services Transit and Ground Passenger Transportation	al Services ruting al Services Processing Services turing al Services ties in Services a Services a Services a Services

Source: Virginia Employment Commission.

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New development, expansion and retention of Norfolk's business community has led to continued economic growth over the past five years. Recent growth in areas such as manufacturing, research and technology, healthcare, residential apartments, craft brewing and boutique retail has increased the diversification of Norfolk's local economy. Since 2008, the City has realized over \$1.6 billion in new development, business expansion and announcements of pending projects.

Table V-14
City of Norfolk, Virginia
Business Growth
A Sampling of Business Activity in 2008 - 2013

Commons	Trees	E/N	C/W/A	(III)
Company	1700	Edin	CIDIN	81
201 Twenty-One	Mixed-use residential apartments & retail	z	U	\$ 40
Bauer Compressor Facility	Expansion of existing Norfolk business	Ш	<	15
Bay Village Condominiums	Senior only residences	Z	D	15
Belmont at Freemason	Apartments	z	O	45
Colonnas Shipyard	Expansion	М	C	14
CMA CGM	Americas Headquarters, shipping line	ш	O	11.5
Commander Corporate Center	Second office building for spec	z	O	12
Court Complex	New combined Court Complex	z	Q	123
Eastern Virginia Medical School	New education and research building	z	O	80
Fort Norfolk Plaza	Mixed-use medical office, retail	z	O	70
Shent Station	New medical space and retail	z	٧	17.5
Hampton Roads Barge Company	New transportation/shipping company	Z	O	2.3
Harris Teeter Expansion	Replacement of existing grocery store	ш	O	14
Harris Teeter	Construction of new store at Wards Corner	Z	D	18
Hurrah Players	Theatre, dance, voice and acting troupe	Z	O	1.4
Kroc Center	Community center	z	Q	84
amberts Point	Recreation facility	Z	O	7.6
ight Rail	Starter line	Z	O	338,3
MacArthur Memorial	Expansion	ш	U	2
Marine Hydraulics	Expansion	Ξ	C	82
Norfolk State University (NSU)	Library and student center	z	O	75
Old Dominion University (ODU)	Innovations Research Park II	Z	O	22.5
Old Dominion University (ODU)	Student fitness center	z	O	28
Old Point National Bank	New branch office in Ghent	Z	O	2.8
P&P, LLC	Office/flex (4th building on site)	Э	D	1
Passenger Rail Facility	Station for new Amtrak service	z	V	3.8
Residence Inn by Marriott	Extended-stay hotel	Z	O	35
Riverside Terrace / Westport	Phasing townhouses and condominiums	z	D	80
Sentara Offices	48,000 sq. ft. office at Poplar Halls	z	D	6
Sentara Garage	Colley Avenue	z	D	15
Sheraton Hotel	Renovation	Ξ	o	32
Slover Library	Construction of new main library	z	D	99
SouthWind Apartment Community	120 apartments	z	O	15
Tidewater Community College	Student center	z	O	17.6
The Market at Ghent	Expansion to existing Farm Fresh store	н	C	3
The River House Apartments	197 apartments	z	O	36
Virginia Arts Festival Headquarters	Offices and rehearsal studios	Z	O	7.5
Virginia Zoo	Animal Wellness Center	Ξ	D	4.3
Wells Fargo Center	Mixed-use office, retail and residential	Z	U	170
			Total:	\$1,617

Source: Economic Development Department, City of Norfolk, Virginia.

#### Military

The presence of the military in Norfolk has a significant impact on the local economy. The City is the home of the world's largest naval complex, with headquarters for Commander in Chief of U.S. Atlantic Command, NATO's Supreme Allied Command Atlantic, Commander in Chief U.S. Atlantic Fleet and other major naval commands. Hampton Roads is the largest center of Coast Guard units in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in downtown Norfolk.

The U.S. Navy's direct economic impact on the region was \$14.9 billion in Fiscal Year 2011, comprised of a total annual payroll of \$8.6 billion and the balance consumed on goods and services and procurement contracts. The City expects to continue as a center of activity for the U.S. Navy with current total personnel (military and civilian) of nearly 70,000. There were 83,095 active-duty U.S. Navy military personnel in Hampton Roads in 2011, of which 59%, or 49,328, were assigned to Norfolk. In addition, the City is home port to 87 ships, including the USNS Comfort, a hospital ship, which moved from Baltimore in 2013, and home to 37 aircraft squadrons.

Norfolk is home to the Navy Reserve Forces Command. This is the global headquarters for more than 68,000 reserve sailors and is responsible for readiness, oversight, manpower management, logistics, mobilization and training of reserve sailors.

Note: E/N - Expansion or New; C/D/A - Completed, Under Development or Announced.

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APPENDIX A

CITY OF NORFOLK, VIRGINIA GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012



KPMG LLP Suite 1900 440 Monticelto Avenue Norloik, VA 23519

## Independent Auditors' Report

The Honorable Members of City Council

City of Norfolk, Virginia:

We have audited the accompanying financial statements of the governmental activities, the business-type remaining fund information of the City of Norfolk, Virginia (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. presented component units, each major fund, and the aggregate activities, the aggregate discretely

the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Amilting Standards, Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing sudit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. issued by the Comptroller General of the United States and the Specifications for Audits of Counties, Cities and Towns (Specifications), issued by the Auditor of Public Accounts of the Countonwealth of Virginia.

respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia, as of June 30, 2012, and the respective changes in financial position, and where applicable, each flows thereof for the year then ended in conformity with U.S. generally accepted In our opinion, the financial statements referred to above present fairly, in all material respects, the accounting principles. In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2013 and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit. on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 through 18, the schedules of revenue, and budgetary comparison schedules on pages 98 through 100, and the Schedule of Funding Progress on page 97, be presented to supplement the basic financial



statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with suditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

comprise the City's basic financial statements. The accompanying Nonmajor Governmental Funds Combining Statements and Schedules, Agency Fund Combining Statements and Schedules, Internal Service Funds Combining Statements and Schedules, and the Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government, and Non-Profit Organizations, listed in the Financial Section as Supplementary Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements as a whole. The Introductory Section on pages i through xix and Statistical Section on pages 123 through 146 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Nonmajor Governmental Funds Combining Statements and Schedules, Agency Fund Combining Statements and Schodules, Internal Service Funds Combining Statements and Schedules, and Normajor Governmental Funds Combining Statements and Schedules, Agency Fund Combining Statements and Schedules, Internal Service Funds Combining Statements and Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial Our audit was conducted for the purpose of forming opinions on the financial statements that collectively assurance on them.

January 15, 2013

# MANAGEMENT'S DISCUSSION

# AND ANALYSIS

## (Unaudited)



# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 39, 2012

The management of the City of Norfolk (the "City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. As readers, you are encouraged to read this discussion and analysis in conjunction with the transmittal letter and City's financial statement information included in this report. The intent of this discussion and analysis is to provide a summarized view of the City's financial performance as a whole; readers should also review the basic financial performance as a whole; readers should also review the basic financial performance.

### Financial Highlights

- The assets of the City, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2012 by \$683,050,349 (net assets). Of this amount, \$95,304,028 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Total net assets increased by \$3,890,468 and unrestricted net assets increased by \$27,409,609
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$243,593,795, an increase of \$44,185,960 in comparison with the prior year. This increase was primarily attributable to the capital projects fund with the issuance of debt during the fiscal year which resulted in total proceeds of \$122,734,890 (including premium) as well as reimbursement in the amount of \$13,594,998 received from various sources for expenditures related to the light rall system. These increases were somewhat offset by capital outlays of \$98,892,003. Approximately 22.3 percent or \$54,338,476 is unassigned.
- The General Fund, on a current financial resources basis, reported a decrease in fund balance of \$3,773,544. A decrease in fund balance was planned and approved in the adoption of the fiscal year 2012 budget. The City budgeted to use approximately \$17.7 million in reserves, but due to the implementation of City-wide cost saving measures during the fiscal year only \$3.8 million was needed. These cost saving measures will continue and positively impact fiscal year 2013.
- At the end of the current fiscal year, the total unassigned fund balance for the general fund was \$54,338,476 or 6.83 percent of the general fund budget.
- The City's total outstanding bonded indebtedness increased by \$11,989,269 during the current fiscal year.

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# Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financials statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These statements include all of the government's assets and liabilities using the accrual basis of accounting. The government-wide financial statements are comprised of the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, public health, and culture and recreation. The business-type activities of the City include Water Utility, Wastewater Utility and Parking Facilities enterprise activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable. Norfolk Public Schools ("School Board"), Waterside Associates Limited Partnership ("Waterside Associates") and the Norfolk Community Services Board ("CSB"). Financial information for these component units is reported

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 39, 2012

separately from the financial information presented for the primary government and can be found on pages 30 – 31 of this report.

Fund financial statements – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the basic financial statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term impact of the government's near-term financing decisions. A reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance for the general, capital projects and debt service funds, all of which are considered major funds. All other governmental funds are combined in a single, aggregated presentation. Individual fund data for each of the non-major funds are presented separately in the form of combining statements elsewhere in this report.

The City adopts an annual budget for certain funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided in this report.

The basic governmental fund financial statements can be found in pages 21 - 24 of this

Proprietary funds – The City maintains two types of proprietary funds: enterprise and internal service.

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The enterprise funds are used to account for its Water Utility, Wastewater Utility and Parking Facilities operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City has two internal service funds, Fleet Management and Storehouse operations. Because both of these services predominantly benefit governmental functions, they are included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Utilities and the Parking Facilities operations, all of which are considered major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in this report.

The basic proprietary fund financial statements can be found on pages 25 - 27 of this

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The fiduciary funds of the City include the City's pension trust fund, the Commonwealth of Virginia agency fund and other agency fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used in proprietary funds.

The fiduciary fund financial statements can be found in pages 28 - 29 of this report.

**Notes to the financial statements** – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 32.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 97 – 100 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 101 – 104 and 107 – 109, respectively, of this report.

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# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2012

# **Government-Wide Financial Analysis**

Over time, net assets may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$683,050,349 at the close of fiscal man 2012.

By far, the largest portion of the City's net assets, \$565,014,121 or 82.7 percent is its investment in capital assets (e.g., land, buildings, equipment, intangibles and infrastructure) less accumulated depreciation and amortization and less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, approximately 3.3 percent represent resources that are subject to external restrictions on how they may be used. The remaining balance of \$95,304,028 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

# Summary of the City of Norfolk's Net Assets

	Governmental Activities	al Activities	Business-Ty	Business-Type Activities	Tot	Totals
	2012	2011	2012	2011	2012	2011
Current and Other Assets Capital Assets	\$ 318,406,055 \$ 282,652,755 886,842,648 865,283,070	\$ 282,652,755	\$ 156,582,759	\$ 156,582,759 \$ 180,250,695 857,884,874 824,447,814	\$ 474,988,814	474,988,814 \$ 462,903,450 1,744,727,522 1,689,730,884
Total Assets	1,205,248,703	1,205,248,703 1,147,935,825	1,014,467,633	1,004,698,509	2,219,716,336	2,152,634,334
Long-Term Liabilities	827,080,879	758,614,075	641,426,072	643,368,366	1,468,506,951	1,401,982,441
Other Liabilities	51,021,259	52,654,476	17,137,777	18,837,536	68,159,036	71,492,012
Total Liabilities	878,102,138	811,268,551	658,563,849	662,205,902	1,536,665,987	1,473,474,453
Net Assets: Invested in Capital Assets						
Net of Related Debt	294,101,477	324,576,143	270,912,644	267,107,321	565,014,121	591,683,464
Restricted	9,804,279	6,744,226	12,927,921	12,927,772	22,732,200	19,671,998
Unrestricted	23,240,809	5,346,905	72,063,219	62,457,514	95,304,028	67,804,419
Total Net Assets	\$ 327,146,565 \$ 336,667,274	\$ 336,667,274	\$ 355,903,784	\$ 355,903,784 \$ 342,492,607	\$ 683,050,349	\$ 679,159,881

For governmental activities, total net assets decreased by \$9,520,709 or 2.8 percent overall during the current fiscal year. Factors that contributed to a change in total governmental net assets include: a reduction in revenue as a result of current economic conditions and increases in expenses in certain functional areas (primarily public safety and health and public assistance).

For business-type activities, net assets increased by \$13,411,177 or 3.9 percent during the fiscal year. Of this amount, \$8,672,850, \$5,604,323 and (\$865,996) are changes attributed to the Water Utility, Wastewater Utility and Parking Facilities funds, respectively. Overall revenues remained fairly consistent with the prior year due to an increase in charges for services as a result of increases in rates offset by declines in other revenue.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2012

Key programmatic and functional elements of these changes in government-wide net assets are demonstrated on the following page:

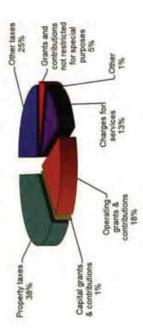
## Changes in the City of Norfolk's Net Assets

			The second second			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues.						
Charges for Services	\$ 83,760,692	\$ 78,753,208	\$ 122,397,332 \$ 124,617,316	\$ 124,617,316	\$ 206,158,024	\$ 209,370,524
Operating Gants & Contributions	119,353,078	116,647,782			119,353,078	116,647,782
Capital Grants & Contributions	785,000	٠	187,376	129,662	962,376	129,662
General Revenues:						
Property Taxes	245,438,720	256,529,830	29	24	245,438,720	255,529,830
Other Taxes	161,233,887	153,885,777	*	3	161,233,887	153,885,777
Garts and Contributions not						
restricted for specific purposes	2,725,568	32,641,609	370,577	567,326	33,096,145	33,198,935
Capital Contributions from Norfolk Public Schools		11,084,963		***************************************		11,084,963
Other	5,569,377	6,996,793	4290,534	3,784,728	9,859,911	10,751,521
Total Revenues	648,846,322	665,509,962	127,245,819	129,089,022	776,092,141	784,598,984
Epenses:						
General Government	109,187,914	103,550,071		19	109,187,914	103,550,071
Judicial Administration	51,102,098	49,979,896			51,102,098	49,979,896
Public Safety	129,137,829	129,720,786	6	9	129,137,829	129,720,786
Public Works	91,542,273	101, 136,816			91,542,273	101,136,816
Health and Public Assistance	75,428,450	82,358,494	*	×	75,428,450	82,368,494
Outlue and Recreation	63,498,895	64,352,236	£	5	63,498,895	64,352,286
Community Development	17,222,565	18,637,893			17,222,565	18,637,893
Education	104,511,915	104,511,131			104,511,915	104,511,131
Interest on Lang-Term Debt	26,822,070	27,990,691		83	26,822,070	27,930,691
Water Utility	•	•	64,473,088	67,852,343	64,473,088	67,852,343
Westewater Utility			18,805,478	19,706,851	18,805,478	19,706,861
Parking Facilities	2. CONT. C	*	20,469,098	22,049,383	20,469,098	22,049,383
Tdal Expenses	668,454,009	682,188,073	103,747,664	109,608,577	772,201,673	791,796,650
Increase (decrease) in Net Assets						
before Transfers	(19,607,687)	(26,678,111)	23,498,155	19,480,445	3,890,468	(7,197,686)
Transfers	10,086,978	10,052,045	(10,086,978)	(10,062,045)	4	
Increase (docrease) in Net Assets	(9,520,709)	(16,626,066)	13,411,177	9,428,400	3,890,468	(7,197,686)
Net Assets Baginning of Year	336,667,274	363,286,340		333,064,207	679,159,881	686,357,547
Not Accepte First of Visor	\$ 307 146 565	\$ 336,667,274		\$ 342,482,607	\$ 683,060,349 \$ 679,159,881	\$ 679,159,881

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# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2012

# Governmental Activities: Revenues by Source



Governmental Activities – The City's total revenues from governmental activities were \$648,846,322 for the fiscal year ended June 30, 2012. The largest sources of revenue for the City at 38 percent are property taxes (which are comprised of real estate and personal property taxes) and other taxes. Revenues from property faxes experienced a 4 percent decrease over the prior year. The real estate (general tax) tax rate for 2011-2012 was \$1.11 per \$100 of assessed value which has remained unchanged for the past few years. The real estate (downtown improvement district) tax rate for 2011-2012 was \$1.27 per \$100 of assessed value which has also remained unchanged from the prior year. Revenues from other taxes remained relatively flat in comparison to the prior year due to the slow economic recovery. Other taxes are comprised of sales & use, consumers' utility, restaurant food, business license and hotel/motel taxes, just to name a few. This group of taxes represented 25 percent of total revenues for the fiscal year ended June 30, 2012.

Operating grants and contributions for governmental activities ended the fiscal year at \$119,353,078 which represents an increase of approximately 2.3 percent from the prior year. Grants and contributions not restricted for specific programs represent intergovernmental grants and contributions from State and Federal agencies. For the 2012 fiscal year, the City reported \$32,725,568 in grants and contributions not restricted for specific programs which is relatively consistent with the prior year.

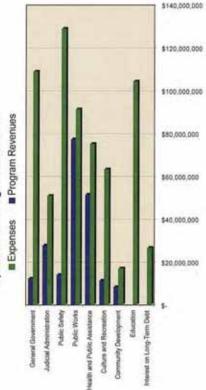
The City's expenses for governmental activities cover a wide array of services, with \$129,137,829 or 19.3 percent for fiscal year 2012 related to public safety and \$104,511,915 or 15.6 percent for fiscal year 2012 for education (including payments to the School Board, a component unit). Overall, expenses for governmental activities decreased by 2.0 percent which was primarily driven by a \$9,594,543 or 9.5 percent decrease in expenses for public works as well as a \$6,940,044 or 8.4 percent decrease

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2012

in expenses for health and public assistance. The decrease in public works expenses can be mainly attributed to a reduction in spending for capital projects for this area. The decrease in health and public assistance is partially attributable reduced funding from the Commonwealth under the Comprehensive Services Act.

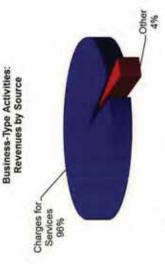
Depreciation expense for governmental activities of \$35,408,463 was recorded.

### Governmental Activities Expenses and Program Revenues



Business-type Activities – Business-type activities increased the City's net assets by \$13,411,177. Key elements of this change are as follows:

- Revenue from charges for services for business-type activities decreased by 1.78 percent. Water Utility charges for services decreased \$2,425,560.
   Wastewater Utility charges for services increased \$435,328 primarily as a result of rate increases. As part of the City's utility rate plan to improve utility infrastructure throughout the City, the Water and Wastewater Utility rates were increased by \$0.14/100 cubic feet and \$0.13/100 cubic feet, respectively.
- Parking facilities revenues remained relatively flat with a slight decrease of \$229,752 or 1.17 percent from the prior year.

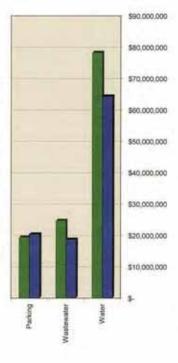


Operating expenses for Business-type activities decreased overall by \$4,149,629 or 4.94 percent. The Water Utility fund's operating expenses decreased by \$2,414,143 primarily due to decreases in chemicals and administrative expenses. The Parking Facilities fund's operating expenses decreased by \$1,354,474 primarily due to decreases in personal services as a result of automation.

Operating expenses in the Wastewater Utility fund were fairly flat year over year.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 39, 2012





# Financial Analysis of the Government's Funds

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds — The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Effective July 1, 2010, the City adopted GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions which more clearly defines the classifications of fund balance for more consistency and clarifies the definition of existing governmental fund types. These new classifications of fund balance comprise a hierarchy based on the extent to which the City is bound to observe constraints imposed upon the use of the financial resources of the funds. Fund balance is now reported in the following categories: nonspendable, restricted, committed, assigned and unassigned.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$243,593,795, an increase of \$44,185,960 or 22.2 percent over the prior year. Of the total ending fund balance, \$23,001 is nonspendable and \$104,857,259 or 43.0 percent is restricted. The restricted fund balance is that portion of fund balance that can only be spent for the specific purposes as stipulated by a third party or legislation. Funds that typically fall in this category are federal and state awards/grants, as well as certain tax dollars levied for specific purposes. Committed fund balance is \$20,622,262 or 8.5 percent of total ending fund balance and represents amounts within fund balance that have been designated for a specific purpose by City Council. Included in this classification are amount designated by City Council for the City's self-insured workers; compensation and general liability programs. Assigned fund balance is \$63,752,707 or 26.2 percent of total ending fund balance and represent funds intended to be used by the City for specific purposes. Encumbrances that are not considered committed are included in this classification. The remaining \$54,338,476 or 22.3 percent of ending fund balance in the City's governmental funds is available for spending at the government's discretion and is classified as unassigned.

The City's primary governmental fund is its general fund. As a matter of fiscal policy, the City unassigned fund balance is targeted to be no less than five percent of the general government's and School Board's annual operating budgets or \$39,750,810.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues above projections by \$550,223. Total expenditures were less than appropriations by \$23,263,519.

The general fund experienced an overall decrease in revenue of \$1,723,949 or 0.3 percent over the prior year. Overall expenditures increased by \$8,742,937 or 1.75 percent from fiscal year 2011. General fund financial and budgetary highlights of the 2012 fiscal year include:

 During fiscal year 2012, the City continuously monitored revenue levels so that it could adjust spending accordingly, if necessary. Mid-way through the year, the City implemented a City-wide forced savings strategy to offset reductions in projected revenues and capture savings for future years. This is the primary reason for \$23,263,519 in expenditure savings in fiscal year 2012.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2012

There were no supplemental appropriations made to the general fund operating budgets during fiscal year 2012.

The City spent \$98,892,003 in the Capital Projects fund to fund major capital projects, including construction of the light rail system, the new courthouse, critical repairs to City and School Board buildings, City infrastructure improvements and various improvements for neighborhood revitalization. The fund had a total fund balance of \$124,774,444. In fiscal year 2012, the City used proceeds from bonds sold in fiscal year 2012, as well as cash on hand to fund these expenditures.

The Debt Service fund did not have any assets, liabilities or net assets at fiscal year end. During the year, \$83,494,197 was transferred in from various funds to pay for an equal amount of debt service requirements.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Generally, the City can only use the net assets of these funds to finance continuing operations of the enterprise operations. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

# Capital Asset and Debt Administration

Capital Assets – The City's investment in capital assets, net of related debts, for its governmental and business-type activities as of June 30, 2012, amounted to \$565,014,121 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, water/sewer systems, etc.), machinery, equipment, intangibles and construction in progress. Infrastructure assets represent 22.3 percent of total general governmental assets.

Major capital projects spending during the fiscal year included the following:

- Continued construction on the City's 7.4 mile light rail project which was completed in August 2011 of which \$8.3 million was spent during the fiscal year. This project is not capitalized by the City and as such is not included in the City's capital assets;
- \$20.5 million overall in total school-related capital projects which includes repairs
  to school buildings with the bulk of the funds being spent on the construction of
  Crossroads Elementary;
  - \$9.8 million in various neighborhood conservation and revitalization efforts throughout in the City;
- Investment of \$4.2 million in improvements to neighborhood streets throughout the City:

- Construction of the new courthouse complex with over \$9.2 million spent in fiscal
- Continued construction on the new downtown main library, of which approximately \$17.2 million has been invested to date with \$3.3 million being spent in fiscal year 2012.

Construction in progress totaled \$131.9 million for governmental activities at the end of the fiscal year. Construction in progress totaled \$66.7 million for business-type activities, which includes Water Utility, Wastewater Utility and Parking Facilities projects.

Summary of the City of Norfolk's Capital Assets (net of accumulated depreciation)

		Governmenta	A A	fivites		Ausiness-Ty	se Activities			Td	Totals	
		2012		2011		2012	2011			2012		2011
Land	s	86,163,226	50	84,906,993	5	8,003,017	\$ 46,646	382	\$ 1	34,166,243	5	131,563,345
Buildings & equipment		424,133,880		435,827,900	7	2,285,444	713,196	484	1.1	16,419,324	٠	149,023,394
improvements other than buildings		45,978,000		43,831,541		6,154,887	16,543,06	190		32,132,887		60,374,598
Construction in progress		131,866,134		106,304,559	•	36,734,977	43,246,176	176	#	98,601,111		149,550,735
Intangible assets		966,319		1,291,324		4,706,549	4,816,735	735		5,672,868		6,108,059
Infrastructure	ś	197,735,089		193,120,753	ļ			٠	7	97,735,089		193,120,753
Total	s	886,842,648	S	865,283,070	\$ 88	57,884,874	\$ 824,447	814	\$1.7	4,727,522	51	589,730,884

Additional information on the City's capital assets can be found in Note VI on pages 52 - 54 of this report.

**Long-term Debt** – At June 30, 2012, the City (including the enterprise funds) had total bonded debt outstanding of \$1,288,305,593. Of this amount, \$875,785,431 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

A summary of the City's outstanding bonded debt is as follows:

### City of Norfolk's Bonded Debt

	Government	al Activities	Business-Type A	pe Activities	Τđ	Totals
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 687,875,882	\$ 639,674,884	\$ 187,909,549	\$ 187,198,781	\$ 875,785,431	\$ 826,873,665
Revenue bonds			412,520,162	449,442,659	412,520,162	449,442,669
Total	\$ 687,875,882	\$ 639,674,884	\$ 600,429,711	\$ 636,641,440	\$1,288,305,593	\$1,276,316,324

The City's total debt outstanding increased by \$11,989,269 or 0.9 percent during the fiscal year. The City issues debt based on its cash flow capital needs.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 36, 2012

The development of the City's five-year Capital Improvement Program and its related debt are guided by various debt affordability practices. These practices limit total tax supported (not supported by specific fees or charges) debt as follows:

- Bonded debt service requirements will not exceed ten (10) percent of general governmental expenditures; and
- Bonded debt outstanding will not exceed 3.5 percent of the assessed value of taxable real property in the City.

Business-type activities debt practices are governed by revenue bond indentures in addition to various rate affordability measures.

Credit ratings for the City's general obligation and water revenue bond programs are as follows:

Bonding Program	Fitch Ratings	Standard and Poor's	Moody's Investors Service
General Obligation	AA+	AA	Aa2
Water Revenue	AA+	AA+	Aa2

The City's parking and wastewater systems do not maintain an underlying credit rating.

State statutes limit the amount of general obligation debt the City may issue up to ten percent of its total assessed valuation. The current debt limitation for the City is \$1,867,673,053 which is significantly in excess of the City's general obligation debt outstanding.

Additional information on the City's long-term debt can be found in Note VIII on pages 57 - 68 of this report.

# Economic Factors and Next Year's Budgets and Rates

The slow economic recovery continues to have a negative impact. While the Commonwealth has experienced some positive impact as a result of the economic recovery, the City's locally generated revenues have not seen the same level of recovery. This is because, like other localities, the City is highly dependent on real property taxes which have declined as a result of the weak housing market and the economy. Considering the effects of the national, state and local economic conditions, the City focused on core service delivery in developing the fiscal year 2013 budget.

- Taxable real estate assessments are projected to decline overall in the 2012 fiscal year by 2.9 percent. Residential and commercial assessments are projected to decline by 4.2 percent and 2.5 percent, respectively.
  - The following reflects major other tax change projections in comparison to the fiscal year 2012 budget:
- Sales taxes 2.7 percent increase;
- Consumer's utility tax 6.1 percent increase;
- Business license taxes 6.8 percent increase; Restaurant food taxes – 6.1 percent increase; and
  - Hotel and motel tax 5.7 percent increase.
- Rate increases for both the Water Utility and Wastewater Utility funds continue to provide necessary funding to finance capital improvements.

BASIC FINANCIAL

STATEMENTS

The City anticipates continued increases in retirement contributions as a result of the economic downturn and its impact on investments. Additionally the City anticipates increases in required pension contributions in future years as it relates to participation in any Virginia Retirement System (VRS) sponsored retirement plans, mainly through participation by the School Board and the constitutional offices of the City.

All of these factors were considered in preparing the City's budget for fiscal year 2013. The fiscal year 2013 operating budget includes transfers in from nongeneral funds of approximately \$10.6 million, as well as \$19.3 million from carrying forward unspent appropriations from prior years and closeout of accounts and fiscal year 2012 savings realized from the mid-year budget reduction.

There were no changes in tax rates for the 2013 fiscal year. The following represents changes in fees implemented with the budget for the 2013 fiscal year.

Description	FY 2013 Approved	FY 2012 Approved
Wastewater Fees	\$3.39/100 cubic feet	\$3,26/100 cubic feet
Water Fees	\$4.15/100 cubic feet	\$4.01/100 cubic feet
Stormwater Fees - Residential \$9.96/month	\$9.96/month	\$8.70/month
Stormwater Fees Commercial	\$7.18/month per 2,000 sq. ft.	\$6,00/month per 2,000 sq. ft.

## Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 810 Union Street, Suite 600, Norfolk, Virginia, 23510.

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## CITY OF NORFOLK, VIRGINIA Statement of Net Assets

Exhibit 1

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Primary Government

	1	Governmental	<b>"</b>	Business-Type Activities	- 1	Total	۰	Component
ASSETS								
Cash and short term investments	49	234,886,913	69	67,896,170	69	302,783,083	60	50,315,875
Restricted cash held with fiscal agent				14,385,331		14,385,331		G.
Unrestricted short term investments		٠		12,575,113		12,575,113		٠
Receivables, net:								
Taxes		41,295,356				41,295,356		٠
Accounts		6,832,149		16,482,487		23,314,636		1,359,151
Accrued investment income		8,376		69,651		78,027		٠
Internal balances		1,488,852		(1,488,852)				٠
Due from other governments		31,586,389		53,550		31,639,939		30,815,109
Due from primary government								5,341,103
nventories		2,255,199		1,900,006		4,155,205		694,328
Prepaid Items		23,091				23,091		272,799
Restricted cash and investments		29,722		44,709,303		44,739,025		787,639
Other assets		60				8		7,292
Von-depreciable capital assets		218,098,374		117,068,676		335,167,050		1,830,407
Depreciable capital assets, net		668,744,274		740,816,198		1,409,560,472		14,886,129
Total assets	w	1,205,248,703	00	1,014,467,633	so	2,219,716,336	w	106,309,832
LIABILITIES	R		ja				100	
Vouchers payable	s	19,540,302	v	8,903,234	5	28,443,536	69	11,351,205
Employees withholdings		867,108				867,108		
Contract retainage		1,097,229		1,621,445		2,718,674		1,217,792
Accrued interest		7,745,922		3,325,457		11,071,379		
Accrued payroll		4,434,845		387,590		4,822,435		30,005,484
Accrued expenses		5,284				5,284		
Due to other governments		7,170,301				7,170,301		8,203,519
Due to component unit		5,341,103		i al		5,341,103		gi i
Other current liabilities		4,264,080		401,141		4,665,221		
Deferred revenue		555,085				555,085		9,647,699
Other payables				4		4		258,574
labilities payable from restricted assets		Ŷ		2,498,910		2,498,910		120
.ong-term liabilities:								
Oue within one year		104,229,828		25,067,417		129,297,245		10,459,148
Due in more than one year		722,851,051		616,358,655		1,339,209,706		20,644,214
Total liabilities	5	878,102,138	n	658,563,849	s	1,536,665,987	50	91,787,635
NET ASSETS								
invested in capital assets, net of related debt	49	294,101,477	10	270,912,644	s	565,014,121	w	12,803,349
Kestricted for:						404 400		
Perpetual care - nonexpendable		6,194,163				0, 184, 163		100
Capital projects		•		2,387,826		2,387,826		687,919
Retirees' life insurance - future expenditures		330,000				330,000		
Other purposes		3,280,116		10,540,095		13,820,211		1,005,092
Unrestricted		23,240,809	d	72,083,219		95,304,028		25,837
Table and account	u	327 146 585	w	355,903,784	49	683,050,349	v	14.522.197

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CITY OF NORFOLK, VIRGINIA Statement of Activities For the Year Ended June 30, 2012

Exhibit 2

Communication   Comparison				1	Prog	Program Revenues		je	9			Changes by Net Assets	Net As			
1   10   10   10   10   10   10   10						Operating		Capital			Prima	ry Savernment				
1   10   10   10   10   10   10   10	PartimePropes	Losenson		Charges for Services	. 0	Parts and	0.3	and and	ľ	Activities	2	altera-Type		Yotal	8 -	I,
1   10   10   10   10   10   10   10	Bein and consumers		ı		١		ĺ		ļ				l			
1   10,000	Governmental activities:															
11   12   12   12   12   12   12   12	Constitution annual ann	3 100,187,014	Ť	0.441.198		+ 025.05+		9		- CBA 721 6881	*	9	4	498,721,6651		
	Judical administration	\$1,102,096		3,690,274		24,189,294				(23,222,530)				(23,222,530)		
1,12,220   1,12,220	Public safety	128,137,829		8,424,308		1,712,352		4		(114,021,171)		9		(114,021,171)		(7
1,040,000   1,04	Public works	81.542.273		50,506,571		26,839,000		1		(14,100,017)		9		(14.100,017)		7
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	Health and public sessitiance	13,428,450		90,014		31,604,273		()		(23,774,163)				(23,774,163)		
1   1   1   1   1   1   1   1   1   1	Culture and recreation	63,498,895		9,751,321		1,050,493		785,000		121,928,0853				(31,928,065)		
1   1   1   1   1   1   1   1   1   1	Convenuelly development	17,222,565		1,807,006		6,731,306				(8,584,248)				(3,054,242)		67.
	Education	104,511,915				è				(104,511,913)				(104.511.515)		
1   1   1   1   1   1   1   1   1   1	Interest on long-larm detail	26,622,079				2,115,225				(24,700,645)				(24.700.845)		
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	Total governmental activities	668,454,009	IJ.	63,760,682	П	119,353,078	ij,	765,000	П	(464,571,238)	Ш	-	П	(464.575.239)		П
Second	Business-type activities:															
	Water	84,473,088		78,148,091		+		167,378				13,862,339		13,062,339		
1   1   1   1   1   1   1   1   1   1	Westmann	10,806,478		24,797,420				٠				\$,997,942		5.991.342		
1,11/2,126   1,1	Parking facilities	20,469,008	Ø	19,451,061	J		ų		J			(1.547,237)	,	(1.017,237)		ĺ
1   1   1   1   1   1   1   1   1   1	Total business-type activities	103,747,684	g	122,307,332			J	147.336	ļ			18,807,044	l	18.837,044		ì
1   214,0333   1   040,794   1   204,0329   2   204,0329   2   2   2   2   2   2   2   2   2	Tatal primary government	1 772,301,673	-	200,158,024	-	119,353,078	-	842.358	-	(464.575.238)		18.837,044	-	(445,738,195)	-	
1   1   1   1   1   1   1   1   1   1	Component units:	20000000	3	0.000.000	1	1 XXXXX	l	Noon Sell	Į.				Ļ		2	20000
1   10   10   10   10   10   10   10	Northill Public Schoolie	1 372,450,383	*	4,597,500	-	200,040,044		20,662,200							*	40,253,0
	Waterside Fund	1,848,733		184,312												(1,002,421)
1	Community Services Board	24.832.334	ł	6,362,736	ı	13,483,607		1								14,000,0071
14 (1970)   15 (	Tetal component units	1 208,129,420	-1	11,144,058	-	220,430,431		20,652,200							-	46,002.3
14 cat 20   15 c	Corners comments Towns															
1,000 cm	Constitution property	Sees - real exists and pers	Ĭ	roperty						245,438,720				245,438,720		
200 cell cell cell cell cell cell cell ce	Consumers' utility	) lases								43,588,426		4		43,598,426		
10.000   1	Sales and use to									27.598,972				27.598.972		
2007.20   2007	Restaurant food a	men								30,299,607		4		30,299,937		
March   Marc	Business licenso	in the same of the								28.867.285				29.007,205		
1,000   1,00	Plotal/Motel lawers									0,563,632				8,563,632		
4,111,500 - 4,111,	Cigarette laves									8,099,679		4		6.096.678		
1,000   1,00	Administration terms									4,189,896		Ŧ		4,106,906		
Market   M	Michan wethoda form	1000								4,318,304		+		4,316,304		
100   100	Franchise, record	lation and other miscefamed	9	continues.						5,913,667				5,913,567		
4,273,506 135,377 23,006,140 4,023,506 135,377 24,032,577 14,032,3	Use of money and p	patient								916,451		314,143		1,230,304		LEDUM
405201 136450 166529 31 100000000000000000000000000000000000	Charts and contribut	flows not restricted to specif	fe po	-						32,725,568		278.877		33,096,145		
2.716 2.716	Miscellanous									4,652,926		3,950,603		8,603,529		61,438
notate of seeds 25,786 25,786 25,786 at 25,198 at the prince Conserved at the	Communestit of V	riginia														10,310,617
at from Primary Coveniments	Gam from sale of as	neets.										25,788		23,798		
14.65 (900 OL) 4.65 (900 OL)	Payment from Prima	ary Covernment								1000		1000				108,877,538
The same of the sa	Tonahen								ı	10,086,978		(10,000,970)		-		

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# CITY OF NORFOLK, VIRGINIA Balance Sheet - Governmental Funds June 30, 2012

		Major Funds			Nonmajor		Total
	General	Capital	Debt	8	Governmental	ဗိ	Governmental
	Fund	Projects	Service		Funds		Funds
ASSETS							
Cash and short term investments.	\$ 65,871,509	\$ 147,774,054		40	20,937,693	49	234,583,256
Receivables, net.							
Taxes	41,295,356		Ŷ.		٠		41,295,356
Accounts	1,791,337	ř	ř		4,556,261		6,347,598
Accrued investment income	8,376	٠					8,376
Due from other funds	9,638,381	1,535,296			3,549,959		14,723,636
Due from other governments	21,386,204	227,242	i i		9,307,094		30,920,540
Restricted cash held with fiscal agent	•	29,722	4				29,722
Prepaids	*:	ê	7		23,091		23,091
Other assets		٠	٠		80		8
Total assets	\$ 139,991,163	\$ 149,566,314			38,374,106	w]	327,931,583
LIABILITIES							
Vouchers payable	\$ 9,227,612	\$ 7,140,405		49	2,107,383	10	18,475,380
Employee withholdings	867,108	٠			٠		867,108
Contract retainage	130,133	893,235			73,860		1,097,228
Accrued payroll	4,165,872	1	٠		215,423		4,381,295
Accrued expenses					5,284		5,284
Due to other funds	884,234	11,417,127	ž.		1,645,040		13,946,401
Due to other governments	395,060		-		6,775,241		7,170,301
Due to component unit		5,341,103					5,341,103
Deferred revenue	27,916,406		٠		1,097,983		29,014,389
Other liabilities	3,897,547				141,752		4,039,299
Total liabilities	47,483,972	24,791,870			12,061,946		84,337,788
FUND BALANCES							
Nonspendable	t		*		23,091		23,091
Restricted	330,000	95,052,980	8		9,474,279		104,857,259
Committed	3,000,000	14,376,402			3,245,860		20,622,262
Assigned	34,838,715	15,345,062	Ü		13,568,930		63,752,707
Unassigned	54,338,476						54,338,476
Total fund balances	92,507,191	124,774,444			28,312,160	-	243,593,795
Total liabilities and fund balances	\$ 139,991,163	\$ 149,566,314		40	38,374,106	47	327,931,583

Exhibit A-1

Exhibit A-2

CITY OF NORFOLK, VIRGINIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Announts reported for governmental activities in the Statement of  Net Assets are different because.  Capital assets used in governmental activities are not reported in the funds:  Coat of capital assets 2,2270,296,099  Accumulated depreciation (1,388,055,965)  Other long-term assets are not available to pay for current-period expenditures and therefore are deterred in the funds:  Adjustment for deferred revenue  Retirement contribution (36,942,385)  Unamoritized bond premium (28,531,510)  Retirement contribution (36,942,385)  Other post employment benefits (1,286,431)  Accrued interest payable  (1,986,438)  Accrued interest payable  (1,986,438)  Receivable for Build America Bonds - interest rate subsidy  Receivable for Build America Bonds - interest rate subsidy  Receivable for Build America Bonds - interest rate subsidy  (220,686)	Fund balances - total governmental funds	60	243,593,795
at of capital assets 2.270,286,099  uilated depreciation (1,388,053,956)  are deferred revenue (587,875,882)  and notes payable (687,875,882)  rement contribution (28,531,510)  rement contribution (36,942,395)  rement contribution (15,625,440)  perseated basences (22,870,941)  and claims liability (31,400,391)  od interest payable (1,988,438)  besity (7,745,922)  8 327	reported for governmental activities in the Statement of sts are different because:		
st of capital assets 2.270.286.099  unlated depreciation (1.388.053.955)  referred revenue (897.875.882)  rement contribution (29.531.510)  rement contribution (29.531.510)  rement contribution (36.942.395)  rement claims liability (31.400.391)  ord interest payable (7.745.922)  basity	Capital assets used in governmental activities are not financial resources and therefore are not reported		
referred revenue (887,875,882)  and notes payable (887,875,882)  fized bond premium (28,531,510)  rement contribution (36,942,395)  rement contribution (36,942,395)  pensated absences (15,255,140)  pensated absences (15,255,140)  and claims liability (1,988,438)  follow (1,988,438)  follows:		2,270,296,099	
re and notes payable (697,875,882)  rement contribution (29,531,510)  rement contribution (29,531,510)  rement contribution (36,942,395)  rement contribution (36,942,395)  rement contribution (36,942,395)  rement contribution (31,400,391)  on and claims liability (31,400,391)  Other (1,988,438)  and interest payable (7,745,922)  6 basity	Accumulated depreciation	(1,388,053,956)	882,242,143
re and notes payable (697,875,882)  rement contribution (29,531,510)  rement contribution (29,531,510)  rement contribution (36,942,395)  rement contribution (36,942,395)  rement contribution (15,625,140)  and claims liability (31,400,391)  Other (1,988,438)  and interest payable (7,745,922)  basity	Other long-term assets are not available to pay for		
re and notes payable (697,875,882) (897,875,882) (897,875,882) (897,875,882) (897,875,882) (897,875,882) (897,875,882) (897,875,875) (897,875,875) (897,875,875) (897,875,875) (897,875,875) (897,875,875) (897,875,875) (897,875,875) (897,875,875) (897,875,875) (897,87	current-period expenditures and therefore are		
ree  read notes payable (887,875,882)  read notes payable (887,875,882)  rement contribution (36,942,395)  rement contribution (36,942,395)  rement contribution (15,625,140)  pensated absence (15,625,140)  pensated absence (15,625,140)  and claims liability (31,400,391)  Chier (1,988,438)  6  basity  S 327	deferred in the funds:		
re and notes payable (687,875,882) ized bond premium (28,531,510) rement contribution (36,942,395) rement contribution (36,942,395) pensated absences (12,870,641) and claims lability (31,400,391) orbit (1,988,438) and interest payable (7,745,922) baity	Adjustment for deferred revenue		28,459,304
re and notes payable (687,875,882) ized bond premium (28,531,510) rement contribution (36,942,395) rement contribution (36,942,395) perssated absences (22,870,641) and claims liability (31,400,391) Other (1,988,438) and interest payable (7,745,922) beinty	Long-term liabilities, including bonds payable, are not		
and notes payable (687,875,882) zool bond premium (28,531,510) ement contribution (36,942,395) phlyment benefits (22,870,641) ensated absences (15,625,140) and claims lability (1,988,438) ed interest payable (7,745,922) ed interest payable 6,337	due and payable in the current period and therefore		
and notes payable (687,875,882)  and notes payable (687,875,882)  (22,835,1510)  and cantibulian (22,870,641)  and claims lability (31,400,391)  and claims lability (31,400,391)  and interest payable (7,745,922)  6  6  6  6  6  6  6  6  7  7  7  7  7	are not reported in the funds:		
2ed bond premium (29,531,510)  rement contribution (36,942,395)  refront contribution (36,942,395)  refront contribution (36,941,395)  remarked absences (15,625,140)  and claims liability (31,400,391)  Other (1,988,438)  ed interest payable (7,745,922)  ed interest payable (7,745,922)  skidy 5,327	Bonds and notes payable	(687,875,882)	
ement contribution (36,942,395)  phylogyment benefits (22,870,541)  ensated beneroes (15,825,140)  and claims labelity (31,400,391)  Other (1,988,438)  ed interest payable (7,745,922)  6 saidy  5 327	Unamortized bond premium	(29,531,510)	
mployment benefits (22,870,641)	Retirement contribution	(36,942,395)	
rensated absences (15,625,140) and claims liability (31,400,391) and claims lability (7,745,922) and interest payable (7,745,922) 6 6 6 6 6 7 7 7 7 7 7 7 7 7 7 7 7 7 7	Other post employment benefits	(22,870,641)	
and claims liability (31,400,391) Other (1,988,438) ed interest payable (7,745,922) (833	Compensated absences	(15,625,140)	
Other (1,988,438) ed interest payable (7,745,922) (833 ed sidy 5,327	Workers' compensation and claims liability	(31,400,391)	
ed interest payable (7,745,922) (833 sicty sicty s	Other	(1,988,438)	
(833 (933 (933 (933 (933 (933 (933 (933	Accrued interest payable	(7,745,922)	
e sidy sazy			(833,980,319)
yosidy \$ 327	Internal service funds		6,386,489
\$ 327	Receivable for Build America Bonds - interest rate subsidy		665,849
us	GASB Statement 49 Pollution Remediation Obligation		(220,696)
	Net assets of governmental activities	9	327,146,565

21

The accompanying notes are an integral part of the basic financial statements.

Exhibit A-3

# CITY OF NORFOLK, VIRGINIA Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For Fiscal Year Ended June 30, 2012

	General	Capital	Debt	Governmental	Governmental
	Fund	Projects	Service	Funds	Funds
General property taxes	\$ 250,117,894		9	\$ 2.799.321	\$ 252.917.215
Other local taxes	152,172,224		201	9,061,663	161,233,887
Permits and licenses	3,574,887	(10)	×		3,574,887
Fines and forfeitures	1,106,931	-		700	1,107,631
Use of money and property	6,367,808	185,295	*	141,458	6,694,561
Charges for services	32,030,115		£	15,828,508	47,858,623
Miscellaneous	8,572,621	56,388	è	3,013,896	11,642,905
Recovered costs	10,311,990				10,311,990
Intergovernmental	112,645,842	13,594,998		35,331,566	161,572,406
Total revenues	576,900,312	13,836,681		66,177,112	656,914,105
EXPENDITURES					
Current operating:					
General government	56,301,100	***	e	130,444	56,431,544
Judicial administration	45,112,553		*	3,120,316	48,232,869
Public safety	105,379,222		90	10,917,111	116,296,333
Public works	46,373,034	٠		15,957,359	62,330,393
Health and public assistance	54,974,389	*	÷	19,356,557	74,330,946
Culture and recreation	40,003,396	Ť	×	4,525,322	44,528,718
Community development	9,955,520	*	**	5,186,049	15,141,569
General services	44,072,525	•			44,072,525
Education	104,511,131		٠	784	104,511,915
Debt service:					
Principal	565,000	400 (1)	56,968,292	150,000	57,683,292
Interest and other charges	107,619	(1) (1) (1) (1)	26,525,905	726,438	27,359,962
Capital outlay		98,892,003	*		98,892,003
Total expenditures	507,355,489	98,892,003	83,494,197	60,070,380	749,812,069
Excess (deficiency) of revenues over					
expenditures	69,544,823	(85,055,322)	(83,494,197)	6,106,732	(92,897,964)
OTHER FINANCING SOURCES (USES)					
Proceeds of refunding bonds	***************************************		74,859,420	ar e	74,859,420
ssuance of debt	2,411,915	107,423,545	<b>X</b> ()		109,835,460
Proceeds sale of land		2,700,000	98		2,700,000
Payment to bond refunding escrow agent	810		(74,859,420)	*	(74,859,420)
Premium on bonds	80	15,311,345	8	97	15,311,345
Transfers in	12,289,939	5,732,038	83,494,197	5,620,012	107,136,188
Transfers out	(88,020,221)	(684,705)	*	(9,194,141)	(97,899,067)
Total other financing sources and uses	(73,318,367)	130,482,223	83,494,197	(3,574,129)	137,083,924
Net changes in fund balances	(3,773,544)	45,426,901	12	2,532,603	44,185,960
Fund balances - beginning	96,280,735	79,347,543	3	- 1	199,407,835
Fund balances - ending	\$ 92,507,191	\$ 124,774,444		\$ 26,312,160	\$ 243,593,795

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# CITY OF NORFOLK, VIRGINIA

Exhibit A-4

# Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ended June 30, 2012

rest change in fund beamone-ucles governmental intros because reproduced for governmental activities in the Statement of Activities are different because.	60	44,185,980
Operminental fands report capital outlays as expenditures while governmental activities expenditures over a capital capital outlays as expenditures over the capital capital over the capital outlays and the capital over the capital outlays ou		
ure me ut une assen.  Add capital acquisitions net of disposals	56,968,040	
Subtract depreciation expense	(35,112,460)	21,855,580
Revenues in the Statement of Activities that do not provide current financial		
resources are not reported as revenues in the fund.		(7,237,325)
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond and note principal as a rependiture in the operamental funds, but the resourcent relocates bron-term labilities in the Statement of Net Assets.		
Add debt repayment	132,542,712	
Subtract general obligation bond proceeds including premium	(200,006,225)	(67,463,513)
Some expenses reported in the Statement of Activities do not require the use of current flambald resources and therefore are not reported as expectitures in governmental funds.		
Change in non-	(21,549,089)	
Principal pay down on retunded debt Accrued interest payable	5,159,432	
Premium on refunded debt	15,311,345	(1,189,790)
Internal service funds are used by management to change the costs of of certain services to individual funds. The net revenue (expense) of the internal		
service funds is reported with governmental activity.		343,153
Adjustment for Build America Bonds interest rate subsidy		(183,104)
GASB Statement 49 Pollution Remediation Obligation		168,330
Change in set assets of covernmental activities	1.	(9 K20 709)

# CITY OF NORFOLK, VIRGINIA Statement of Fund Net Assets - Proprietary Funds June 30, 2012

Exhibit B-1

		T. COLLINSON	DUSITIESS-LYDE ACTIVITIES	I	
	Water	Wastewater	Parking	Totals	Internal Service
ASSETS					
Current assets:					
Cash and short term investments	\$ 33,477,706	\$ 14,799,371	\$ 19,619,093	\$ 67,896,170	\$ 303,657
Restricted cash held with fiscal agent	325,853	28,919	14,030,459	14,385,331	
Unrestricted short term investments	11,785,201	789,912	*	12,575,113	往
Receivables, net					
Accounts	7,000,856	2,265,983	1,182,427	10,449,266	484,551
Unbilled accounts	4,717,107	1,095,674	220,440	6,033,221	
Accrued investment income	24,433		45,218	159,651	50
Internal balances	*				895,883
Due from other governments		\$3,550		53,550	
Inventories	1,479,257	31,699	389,050	1,900,006	2,255,199
Restricted cash and investments	25,259,001	14,724,493	4,725,809	44,709,303	
Total current assets	84,069,514	33,789,601	40,212,496	158,071,611	3,939,290
Noncurrent assets:					
Captal assets:					
Land and improvements	53,478,329	27,469,156	36,121,191	117,068,676	415,000
Buildings and equipment	596,364,005	246,777,902	193,633,209	1,036,775,116	10,645,075
Accumulated depreciation	(178,746,840)	(59,233,687)	(57,978,391)	(295,958,918)	(6,459,570)
Capital assetts, net	1	-	-		1
rotal mosets.	\$ 555,165,008	\$ 248,802,972	\$ 211,988,505	\$ 1,015,956,485	\$ 8,539,795
LABLITES					
Current labilities:					
Vouchers payable	\$ 4,719,919	\$ 3,707,918	\$ 475,397	\$ 8,903,234	\$ 1,064,922
Contract retainage	888,773	705,700	28,972	1,621,445	20
Accrued interest	50,784	1,150,379	2,124,294	3,325,457	
Accrued payrol	243,886	82,162	61,542	387,590	53,550
Internal balances	1,488,031	821		1,488,852	184,256
Obligations for employees retrement system	2,629,548	754,958	583,304	3,967,810	556,251
Current portion of bonds payable	7,739,589	8,671,909	3,778,426	20,159,924	•
Liabilities payable from restricted assets	2,498,910		٠	2,498,910	*
Compensated absences	507,785	187,114	124,784	909,683	207,610
Other current liabilities	211,312	27,500	162,329	401,141	4,085
Total current labilities	21,008,537	15,288,461	7,337,048	43,694,046	2,070,884
Noncarrent labilities.	4 000 430	500 000 000	24.755.525	101.044.000	
Options book coulds	349 447 946	32 027 170	26,000,000	CO27 WC81-601	
Accepting Donas payable	526,714,016	25,180,55	20,0 (4,0)	201, PER, 134	
Compensation acceptable	******	10,101	240,40	067'170	04,444
Takel access process Schillers	200 ABO 026	444 055 788	250 040 031	616 368 666	00.8.00
Total labilities	C13 629 FAF	167 244 999	159 278 960	640 052 701	2 153 306
NET ASSETS					
invested in capital assets, net of related detti	157,453,707	79,868,402	33,590,535	270,912,644	4,600,505
Cantal projects	2 000 018	9	387.808	2.387.826	
Other purposes:	and and a		200		
Water utility fund operations	180,000,8	***	2	9,000,081	,
Parking facilities fund operations			1,540,014	1,540,014	,
Innesticied	43.181.690	11 590 341	17,191,188	72.063.219	1,785,984
Total nel assets	211,635,496	91,558,743	52,709,545	355,903,784	6,385,489
	* 255 105 000	4 748 803 673	344 088 606	- + O+ C O+ C + O+	

Exhibit B-2

# CITY OF NORFOLK, VIRGINIA Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds For Year Ended June 30, 2012

		<b>Business-Type Activities</b>	pe Activities		Activities -
	Water	Wastowater	Parking		Internal Service
	Ustilly	Utility	Facilities	Totals	Funds
Operating revenues:					
Charges for services	\$ 78,148,051	\$ 24,797,420	\$ 19,451,861	\$ 122,397,332	\$ 15,681,820
Miscellaneous	3,052,421	898,182		3,950,603	107,298
Total operating revenues	81,200,472	25,695,602	19,451,861	126,347,935	15,789,118
Operating expenses:					
Personal services	13,783,048	4,613,140	6,642,590	25,038,778	3,072,062
Cost of goods sold				•	10,810,182
Plant operations	6,589,857	2,214,306	1,092,320	9,896,483	243,529
Chemicals	2,967,518	62,628	ï	3,030,146	
Provision for bad debts	230,670	138,754		367,424	77,154
Depreciation	11,902,145	4,952,310	5,473,362	22,327,817	296,003
Retirement and OPEB contribution	2,957,001	871,260	583,304	4,411,565	556,251
Administrative expenses	1,852,927	1,410,517	343,878	3,607,322	
Other	8,997,111	1,686,644	514,217	11,177,972	1,242,659
Total operating expenses	49,280,277	15,927,559	14,649,671	79,857,507	16,297,840
Operating income (loss), net	31,920,195	9,768,043	4,802,190	46,490,428	(508,722)
Nonoperating revenues (expenses):					
Interest income, net of interest capitalized	94,747	10	219,396	314,143	2,016
Intergovernmental revenue	137,555	214,199		351,754	
Interest expense and fiscal charges	(15,171,047)	(2,857,312)	(5,813,170)	(23,841,529)	
Gain (loss) on sale or disposal of capital assets	25,788	(20,607)	(6,257)	(1,076)	***
Contributions	*		18,823	18,823	274
Miscellaneous revenue (expense)	(21,764)	12		(21,764)	
Total nonoperating revenues (expenses)	(14,934,721)	(2,663,720)	(5,581,208)	(23,179,649)	2,016
Net income (loss) before contributions					
and transfers	16,985,474	7,104,323	(779,018)	23,310,779	(505,706)
Capital contribution	187,376	eđi S		187,376	9.00 2 6
Transfer in			٠		849,859
Transfers out	(8,500,000)	(1,500,000)	(86,978)	(10,086,978)	
Changes in net assets	8,672,850	5,604,323	(862,995)	13,411,177	343,153
Total net assets - beginning	202,962,646	85,954,420	53,575,541	342,492,607	6,043,336
Total net assets - ending	\$ 211,635,496	\$ 91,558,743	\$ 52,709,545	\$ 355,903,784	\$ 6,386,489

# CITY OF NORFOLK, VIRGINIA Statement of Cash Flows - Proprietary Funds

Exhibit B-3

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1,000 to the configuration   1,000 to the c			\$ 62,281,501	\$ 303,667
Operating Activities:   \$ 31,500,165 \$ \$ 9	**			
9 3 1,50,166 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	ot			
1 1 00 00 (1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		8 4,802,190	3 40,490,428	\$ (908,722)
20,000 to 1,000 to 1,				
(14,446) (14	*	5,473,362	22,327,817	296,003
### \$ 690(01) 10 # # ### ### ### ### ### ### ### ###		9	367,424	7.7
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101 (20) (10) (10) (10) (10) (10) (10) (10) (1	(508,770)	(48,711)	1,855,409	(448,392)
(400,000) (400,0		8,510	(50,966)	51,590
(450,079) (450,079) (450,079) (450,079) (450,079) (450,079) (450,079)	•	3,069	(238,910)	349,806
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and int operating activities \$ 46,110,505 \$ 14, ents.	104 132,052			(35,467)
conciliation of Caeh and Short Term investments	2 2	\$ 10,306,803	2	\$ (381,152)
A LANK PARTICULAR AND				
S SELECTION S	7.4			
\$ 33,477,706 \$ 14,	*	19,619,093	5 67,896,170	\$ 303,657
restriction coan increase again.  Total capt and short term investments per Statement of Net Access \$ 33,003,659 \$ 14,828.	1.1	\$ 33,649,562	\$ 82,281,501	\$ 303,657
(21.764)	· ~		\$ (21.754)	
22		\$ 6,257	\$ 6.257	
ets through change in				
in contract retainage 5 154, Acquisition of capital assets through vouchers privable 5 54 903 5 13.394.		\$ (23,995)	\$ 583,141	
	ŀ	l		
\$ 1,433,603 \$			\$ 1,992,390	•

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# CITY OF NORFOLK, VIRGINIA Statement of Fiduciary Net Assets June 30, 2012

Exhibit C-1

	-	Trust Employees' Retirement	46	Agency
ASSETS	ļ	System		Funds
Cash and short ferm investments	so	24,606,872	49	3,974,893
Investments, fair value:				
United States Treasury securities		17,780,663		•
Fixed income securities		135,389,701		38
Equity securities		3,062		
Other		580'69		6
Balanced commingled funds:				
Equity		512,607,482		*
Fixed income		156,013,580		
Real estate		42,060,258		
Total investments		863,923,831		
Receivables:				
Accounts, net of allowance				
for uncollectible accounts		198		
Retirement contribution		41,466,456		
Accrued investment income		839,626		*
Due from broker for securities sold		53,159,922		*
Other		•		10,524
Total assets	S	983,996,905	w	3,985,417
LIABILITIES				
Vouchers payable	69	631,499	69	29,625
Due to brokers for securities purchased		97,866,206		
Other liabilities		٠		3,955,792
Total liabilities		98,497,705		3,985,417
NET ASSETS				
Reserved for:				
Net assets held in trust for				
pension benefits		885,499,200		
Total liabilities and net assets		983 996 905	S	3.985.417

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The accompanying notes are an integral part of the basic financial statements.

Exhibit C-2

# CITY OF NORFOLK, VIRGINIA Statement of Changes in Fiduciary Net Assets Pension Trust Fund - Employees' Retirement System For the Year Ended June 30, 2012

2012

Changes to net assets attributed to:		
Investment income:		
Net depreciation in fair value		
of investments	S	(4,850,684)
Interest		6,845,251
Dividends		2,165,807
Other		203,222
		4,363,596
Less investment expense		(1,110,803)
Net investment income		3,252,793
Employer contributions		41,466,456
Employee contributions		593,956
Total	8 -2	45,313,205
Benefit payments and expenses:		
Refunds of contributions		24,879
Benefits paid to plan members and beneficiaries		71,021,815
Administrative costs		535,826
Total		71,582,520
Net decrease		(26,269,315)
Net assets held in trust for pension benefits:		
Beginning of year		911,768,515
End of year	69	885,499,200

CITY OF NORFOLK, VIRGINIA Statement of Net Assets - Component Units June 30, 2012

Exhibit D-1

ASSETS Cash and short term investments Receivables:	Schools		Associates	Ser	Services Board		Totals
Receivables:	\$ 45,239,094	4	33,841	69	5,042,940	69	50,315,875
Accounts, net of allowance for							
uncollectible accounts	156,430	0	47,045		1,155,676		1,359,151
Due from primary government	5,341,103	Ð					5,341,103
Due from other governments	30,815,109	6	×		*		30,815,109
Inventories	694,328	80	81		ř.		694,328
Restricted cash and investments					787,639		787,639
Prepaids	•		11,697		261,102		272,799
Other assets	90		7,292				7,292
Capital assets, net	12,265,235	92	3,346,897	Part of the	1,104,404		16,716,536
Total assets	\$ 94,511,299	\$	3,446,772	s	8,351,761	s	106,309,832
LIABILITIES							
Vouchers payable	\$ 10,502,993	\$3	255,578	49	592,634	v	11,351,205
Contract retainage	1,217,792	12	. 40		٠		1,217,792
Accrued payroll	29,570,196	92	540		434,748		30,005,484
Unearned revenues	9,647,699	æ	Šæ.		٠		9,647,699
Other payables	198,747	11	10		59,827		258,574
Due to other government agencies	8,203,519	6	9		,		8,203,519
Current vested compensated absences	6,725,988	88			617,649		7,343,637
Other current liabilities	1,328,022	22	372,342		1,415,147		3,115,511
Long-term mortgage payable - less current portion			3,913,187		٠		3,913,187
Long-term vested compensated absences	2,241,996	52			259,522		2,501,518
Long-term post employment benefits	11,711,300	8	8		٠		11,711,300
Long-term claims and judgments liability	2,518,209	66	10		*		2,518,209
Total liabilities	83,866,461	15	4,541,647	120	3,379,527		91,787,635
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	12,265,235	32	(566,290)		1,104,404		12,803,349
Restricted for:							
Capital projects	687,919	6					687,919
Other programs	(271,717)	(2)			1,276,809		1,005,092
Unrestricted	(2,036,599)	(66	(528,585)		2,591,021	Ų	25,837
Total net assets (deficit)	10,644,838	38	(1,094,875)		4,972,234		14,522,197
Total liabilities and net assets	\$ 94,511,299	\$	3,446,772	s	8,351,761	'n	106,309,832

29

The accompanying notes are an integral part of the basic financial statements.

30

The accompanying notes are an integral part of the basic financial statements.

## CITY OF NORFOLK, VIRGINIA Statement of Activities - Component Units For the Year Ended June 30, 2012

Exhibit D-2

				Progn	Program Revenues		1			Page ()	Not (Expense) Revenue	deventure.		
		ō	Charges for		Operating	Capital		Norto	Nortok Public	Waterside	and Changes in Not Assetts tenside Commun	Community Community		100
30	Expenses		Services	0	Contributions	Contributions	fore	4	Schools	Associates	1	Services Board	P	Totals
Vorfolk Public Schools: Instructional	\$ 265,178,134	**	2,201,335		193,423,324	**	,		09,563,475)				**	(59,553,475
Administration, attendance and health	12,436,063		ŀ						12,438,083)					(12,436,083
April transportation	10,869,445							-	10,868,445)					(10,869,445)
Operation and maintenance	33,038,155		37)				1	-	(33,038,155)					(33,008,155)
Hormation technology	10,546,701		ð		9		ð		10,546,701)					(10,546,701)
School facilities	24,171,393		C.			20,652,200	2,200		(3,519,193)		, v			(3,519,193)
ood services	15,835,214		2,390,173		13,523,520		-5		(15,521)					(15,521)
Ather.	275,228		15						(275,228)					(275,228
Total Norfells Public Schools	372,450,353		4.597,506		206,946,844	20.6	20,652,200	9	(140,253,801)		1.1	ĺ	L	(140,253,801
Nateraide Associates: Cultural and recreational	1,646,733		194,312	- 1						(1.562.421)	421)		j	(1,882,421)
Community Services Board: Health and public assistance	24.672.334		6.362,736		13.413.607		1		·		i	(4 985 991)	400	(4,985,991)
Total component units	1 399,129,420		11,144,556	-	220,430,451	\$ 20,652,200	5200	5	(140,253,801)	(1,002,421)	421)	(4,985,991)	(100	(146,902,213)
General revenues:														
	Use of money and property	property							1,283,971	220,838	838	110,971	111	1,624,784
	Payment from Primary Government	any Gove	emment					•	104,511,131	1,515,000	8	2,851,000	8	108,877,131
	Miscellaneous								346			61,102	20	61,418
	Commonwealth of Virginia	Virginia							30,310,617					30,310,617
	Total genoral revenues	erues					7.11	-	136,106,035	1,735,636	838	3,032,079	173	140,873,950
	Changes in net assets	steets							(4,147,700)	73.4	73,415	(1.963,912)	123	(6,026,263)
	Net assets (deficit) - beginning	- beginn	D.						14,792,604	(1,168,290)	2901	6,926,146	*	20,550,460
	Mad sensets (realize) - excellent	- engino							10,644,838	\$ (1.094.875)	8751 \$	A 972 234	S M	14 522,197

# NOTES TO THE BASIC

# FINANCIAL STATEMENTS

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

### Summary of Significant Accounting Policies

\_:

### A. Financial Reporting Entity Information

The City of Norfolk (the "City") was incorporated February 13, 1845, and operates under a charter adopted February 7, 1918, which mandates a Council-Manager form of government. The City and its component units provide the following municipal services to approximately 243,000 residents, as authorized by its charter or code public safety, highway and street maintenance, water production and quality, solid waste management, wastewater treatment, cultural and parking facilities, environmental storm water management, public health, social programs, parks and recreation, public education, public improvements, planning and zoning code enforcement, public iberaries and general administration.

Blended Component Unit: The Employees' Retirement System of the City of Norlok (ERS) has a nine-member Board of Trustees. Seven members are appointed by City Council: The City Manager and the Director of Finance are exoption members. The ERS is the administrator of a single-employer noncontributory defined benefit plan that covers substantially all employees of the City of Norfok, excluding School Board employees and certain employees of the Constitutional Officers covered by the Virginia Retirement System, as authorized by Section 143(a) of the City Charter. The ERS was established and placed under the management of the Board of Trustees for the purpose of providing retirement and death benefits as authorized by the provisions of Chapter 37 of the Norfolk City Code. The City makes its contributions, in conjunction with investment earnings of the ERS, to provide the funding for pension benefits and administrative costs.

Discretely Presented Component Units: Although these legally separate entities are in substance part of the City's operations, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The component units discussed below are included in the City's financial reporting entity due to their financial relationships with the City.

The School Board for the City of Norfolk (School Board), which has seven members, is the operating body that establishes the educational and financial programs and policies for the City's public school system. School Board members are appointed by the City Council. The City levies taxes for its operation, issues bonds or enters into capital leases for its capital requirements and approves its annual operating budget. The School Board is comprised of the School Operating fund, Capital Projects fund, Child Nutrition fund, Grants fund and agency funds.

Waterside Associates Limited Partnership (Waterside Associates) was originally formed on November 20, 1981, for the purpose of developing and operating a retail festival marketplace (Waterside) in Norfolk, Virginia which opened June 1, 1983. On December 31, 1998, the Norfolk Redevelopment and Housing Authority (NRHA) and the City Development Corporation (CDC), a component unit of NRHA, purchased the partnership from its owners, creating a new entity with the same name. NRHA owns 14.5% of the Partnership and CDC owns 85.5%. Beginning July 1, 2010, the City began providing internal, operational and

financial support to Waterside. Separate financial statements are not prepared for Waterside Associates.

The Norfolk Community Services Board (CSB) was created in 1969 by a resolution of the City Council. Its purpose is to provide mental health, mental retardation and substance abuse services to residents of the City of Norfolk. The CSB is composed of 15 members appointed by City Council. City Council approves the CSBs annual operating budget.

Complete financial statements of the individual component units can be obtained from their respective administrative offices:

The City of Norfolk Retirement Board 810 Union Street City Hall Building, Suite 309 Norfolk, Virginia 23510 The School Board for the City of Norfolk 800 East City Hall Avenue P.O. Box 1357 Norfolk, Virginia 23501-1357 The Norfolk Community Services Board Board Administration 248 West Bute Street Norfolk, Virginia 23510-1404

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Primary Government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from Certain legally separate component units for which the Primary Government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, of directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that do not meet the criteria for classification as program revenues are reported as general revenues.

## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual energonemental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for financial resources that are restricted, committed or assigned to expenditures for principal and interest payments on long-term debt obligations of governmental funds and proprietary funds.

The Capital Projects Fund accounts for financial resources that are restricted, committed or assigned to expenditures for capital outlays, which includes the acquisition and construction of major capital facilities of the City, some of which are also used by the School Board.

The City reports the following major proprietary funds:

- The Water Utility Fund accounts for the activities of the City's water system, treatment plant and distribution systems.
- The Wastewater Utility Fund accounts for the activities of the City's sewage pumping stations and collection systems.
- The Parking Facilities Fund accounts for the activities of City-owned parking facilities

Additionally, the City reports the following other fund types:

- Special Revenue Funds account for proceeds of specific resources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects. Examples including services provided as part of mental health and substance abuse programs, juvenile detention services, emergency call center services, tax increment financing districts and individual grant programs.
- Internal Service Funds account for the City's storehouse operations and fleet management services provided to other departments or agencies of the City on a cost reimbursement basis.
- The Pension Trust Fund accounts for the activities of the Employee's Retirement System, which accumulates resources for pension benefit payments to qualified employees.
- The Permanent Fund is used to report resources that are restricted to the extent that only the interest may be used to support the City's cemetery

#### NOTES TO THE BASIC FINANCIAL STATEMENTS CITY OF NORFOLK, VIRGINIA For the Year Ended June 30, 2012

operations

The Agency Funds are used to account for the assets held by a governmental units and/or other funds. Agency funds do not involve the governmental unit as an agent for individuals, private organizations, other measurement of results of operations as they are custodial in nature (assets = liabilities).

### Measurement Focus, Basis of Accounting and Financial Statement Presentation ö

soon as all eligibility requirements imposed by the provider have been met. Fiduciary agency funds' financial statements do not have a measurement focus. The City's discretely presented component units are also included in the government-The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as wide financial statements utilizing the same basis of accounting.

the City by the state within two months of the transaction. In accordance with generally accepted accounting principles (GAAP) property taxes due and collected within 45 days after June 30 are recognized as revenue; those not collected within Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 45 days of the end of the fiscal year. Real and allowances for uncollectible accounts. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as this method, revenue and related assets are recorded when they become personal property taxes are recorded as receivables when levied and billed, which corresponds with the fiscal year for which the taxes have been levied, net of revenues and receivables when the underlying exchange occurs and are remitted to 45 days after year-end are reported as deferred revenue. Items such as license Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under susceptible to accrual, that is, when they become both measurable and available. Intergovernmental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, is recognized at the time the specific as revenue when expenditures expected to be funded by this revenue are made. general purpose grants is recognized during the entitlement period. fees, permit fees and fines are recorded

Major sources of governmental funds susceptible to accrual include the following:

- Real property taxes
  - Personal property taxes Sales and use taxes
- Revenue from the Commonwealth
  - Shared expenses 0 0

#### NOTES TO THE BASIC FINANCIAL STATEMENTS CITY OF NORFOLK, VIRGINIA For the Year Ended June 30, 2012

- Consumer utility taxes
- Revenue from the federal government

Environmental storm water billings

Amounts reported as program revenues include: 1) charges for services, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Therefore, all taxes are general revenue. Expenditures, other than interest on general long-term obligations, are recorded as related fund liabilities when incurred. Interest on general long-term obligations is related fund liabilities when incurred. Interest on general long-term obligations recognized when due. Since the governmental funds' financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial presented in Exhibit A-2. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances and the statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds' Balance Sheet and total Governmental activities net assets as shown on the Government-wide Statement of Net Assets is change in net assets of Governmental activities as shown on the Government-wide Statement of Activities is presented in Exhibit A-4.

("GASB"). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board imitation. The City has elected not to follow subsequent private-sector guidance.

ongoing operations. The principal operating revenues and expenses of the City's Water Utility, Wastewater Utility and Parking Facilities enterprise funds, and of the City's internal service funds are charges to customers for sales and services and administrative expenses, and depreciation on capital assets. Revenues and expenses not meetings, and definition, including interest income or expense are Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's to use restricted resources first, less restrictive resources next - committed assigned, and finally unassigned resources. policy

various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's proprietary funds and concerned

### D. Budgets and Budgetary Accounting

An operating budget is adopted each fiscal year for the General fund, Water Utility enterprise fund, Parking Facilities enterprise fund, Parking Facilities enterprise fund, Storm Water special revenue fund, Public Amenities special revenue fund, Cemeteries special revenue fund, Emergency Operations Center/E-911 special revenue fund, Golf special revenue fund, Towing & Recovery Operations special revenue fund, Tax Increment Financing special revenue fund and internal service funds. Project length budgets are appropriated for the Capital Projects fund and Ganats special revenue fund. All funds are under formal budgetary control.

No less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of funding them. A public hearing is conducted. Then, on or before July 1, the budget is legally enacted through adoption of an ordinance. The property taxes included in the budget become a lien on real properties on July 1.

The ordinance for the annual operating budget appropriates funds by department. Additional budgetary controls are exercised administratively, both on an appropriation unit basis over parts, all, or any combination of object categories (budgetary account groups) such as: (1) personal services; (2) materials, supplies and repairs; (3) general operations and fixed charges; (4) equipment; (5) public assistance; and (6) all purpose appropriations, as well as on a line item basis over individual objects (budgetary accounts). The City Manager is authorized to transfer funds between departments and funds without further approvals by City Council.

The School Board manages and controls all funds made available for public school purposes by the City Council. In accordance with the Code of Virginia, the School Board has exclusive authority to expend funds within the total amounts appropriated by City Council.

Consistent with the enabling ordinance, the Schedules of Revenues and Expenditures – Budget and Actual of the General Fund presented in Exhibits E-1 and E-2 include the revenues and expenditures - budget and actual of the School Board.

A reconciliation of revenues and expenditures reported in accordance with accounting principles generally accepted in the United States (GAAP) and those presented in accordance with non-GAAP budgetary basis, for the General fund, can be found following Exhibit E-2. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with accounting principles generally accepted in the United States of America.

With the exception of capital projects and grants fund appropriations, unencumbered annual appropriations lapse at the end of the fiscal year. City Council may authorize supplemental appropriations to the operating budgets during the fiscal year. Budgeted amounts as reporte in the financial statements represent the original appropriations, and all supplemental adjustments or appropriations, and all supplemental adjustments or appropriations.

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

City Council adopts a capital improvement budget on a project basis. As in the case of the General fund budget, these budgets are submitted by the City Manager, public hearings are held and the budgets are legally enacted through adoption of an ordinance. Appropriations for these budgets continue until the purpose of the appropriation has been fulfilled. Amendments to these budgets are affected by City Council.

### E. Deposits and Investments

The City's cash and short-term investments include cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition.

Investment statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The fair value of the IGIP is the same as the value of the pool shares. The LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The external investment pool is administered by the Treasury Board of Virginia. The Pension Trust fund is authorized to invest in common stocks and other investments as directed by State statute.

Investments of the City, as well as its component units, are stated at fair value. Short-term investments are recorded at amortized cost, which approximates fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Investments that do asset value determined based on the fair value of the underlying securities. Purchases and sales of securities traded but not yet settled at year-end are recorded as due to broker for securities purchased and due from broker for securities sold, respectively.

The City uses the pooled cash investment method, as a result individual fund overdrafts are reclassified as due toldue from other funds or internal balances for financial statement purposes. Income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and temporary investments of each fund to the total pooled cash and temporary investments.

For purposes of the statements of cash flows, all highly liquid debt instruments, with a maturity of 90 days or less, and certificates of deposit are grouped into cash and short-term investments. The cash and investment pool discussed above is considered cash, since it has the same characteristics as a demand deposit account.

#### Restricted Assets

Restricted assets are those whose use is subject to externally imposed constraints such as creditors through debt covenants, grantors or laws or regulations of other governments.

### G. Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying fund financial statements generally reflect such transactions as transfers.

Internal Service funds record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the Internal Service funds as operating expenditures or expenses. Since the City's Internal Service funds generally support governmental activities rather than business-type activities, they are consolidated with the governmental funds in the government-wide financial statements. A discrete presentation of the City's Internal Service funds can be found in the "Other Supplementary Information" section of this document.

The General fund provides administrative services to enterprise funds and internal service funds. Charges for these services are treated as operating expenses by the enterprise and internal service funds and as revenue by the General fund in the fund financial statements.

#### 4. Inventories

Inventories are stated at cost, using either the first-in, first-out, or the moving average method. Inventories in the governmental funds consist of expendable supplies held for consumption for which the cost is recorded as an expenditure when acquired, (i.e., the purchase method). Proprietary funds expense inventories when consumed.

#### Capital Assets

Capital assets, which include property, plant, equipment, intangibles and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported at historical cost less accumulated depreciation in the applicable governmental or business-type activities ocumn in the government-wide financial statements and in proprietary funds. Capital assets are defined by the City's capitalization policy as assets owned by the City with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital outlays of governmental funds are recorded as expenditures at the time of purchase and are not capitalized in the governmental funds. However, they are capitalized in the government-wide Statement of Activities if they meet the criteria for capitalization in the City's financial statements. Where historical cost records are not available, assets are recorded at estimated historical cost. Gifts or donated fixed assets are recorded at their estimated fair value on the date received. In the enterprise and internal service

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

funds, interest costs incurred on funds borrowed for construction projects are capitalized, net of interest earned on the temporary investment of the unexpended portion of those funds. When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated and any resulting gain or loss is reflected as non-operating revenue or expense.

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of the carrying value or fair value. Impairment losses on capital assets that will continue to be used by the City are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances that result in the impairment of a capital asset are netted against the impairment loss.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Capital assets of the Primary Government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives (in years):

	Governmental	Enterprise	Service Funds
Building and improvements	40	10-75	40-50
Improvements other than buildings	15-25	10-99	15
Warehouse equipment and fixtures	i	,	7-10
Transmission and distribution mains	-	50-99	x
Service meters and meter installation		35-50	e
Pumping and other water/wastewater equipment	ř	10-30	c
Vehicles and garage equipment	4-10	4-10	4-25
Data processing equipment	5-10	5-10	5-10
Furniture, fixtures and equipment	3-25	3-25	3-20
Infrastructure	5-100	ě	e
Intangibles	5-10	5-10	5-10

### Compensated Absences

It is the City and the School Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is fully vested when earned by City employees. Sick leave does not vest for City employees; however, upon retirement, City employees receive credit for each day of

accumulated sick leave toward their pension benefit. There is no liability for unpaid accrued sick leave service since the City does not pay it when the employee separates from service. The additional retirement benefit is reflected in the actuarial liability of the ERS. The entire unpaid liability for vacation leave is recorded in the respective funds in the government-wide financial statements.

Upon retirement, School Board employees are paid \$20 for each day of accumulated sick leave at retirement. Accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. Most School Board employees have ten-month employment contracts and are not entitled to be acceptable.

### K. Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements may be classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statutes.

Fund balances in governmental fund financial statements are classified as nonspendable, restricted, committed, assigned and massigned. Nonspendable fund balance includes amounts that are not in spendable form. Restricted fund balance includes amounts that can be spent only for specific purposes as stipulated by a third party or through enabling legislation. Committed fund balance includes amounts that can be used only for specific purposes as determined by City Council through formal action. Assigned fund balance includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. Assignment authority has been given to the City Manager by City Council. The unassigned fund balance classification is for all amounts not included in other classifications.

#### L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

### . Bond Premiums, Discounts and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issuad is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing used. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### Deposits and Investments

### Custodial Credit Risk - Deposits

The City maintains a cash and investments pool for all funds except the Pension Trust and Permanent funds. Each fund's portion of the pool is disclosed in the Statement of Net Assets and balance sheet as cash and short term investments. The cash and investments of the Pension Trust and Permanent funds, as well as certain restricted assets of the enterprise funds, are held separately from the pooled City funds.

All deposits of the City and its component units are collateralized in accordance with the Virginia Security for Public Deposits Act ("the Act"), Section 2.2.4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, any public depository that receives or holds public deposits ("Qualified Public Depositories") shall elect to secure deposits by either the Pooled Method or the Dedicated Method (which became available by amendments made to the Act effective July 1, 2010). The Pooled Method requires any public deposity that receives or holds public deposits to pledge collateral, ranging from 50 to 100 percent of the public deposits to the State Treasury Board to cover public deposits in excess of Federal deposit insurance. The Pooled Method also provides that if any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of participating governmental entities. If the value of the pool's collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. Under the Dedicated Method, Qualified Public Depositives are responsible for securing their own public deposits, by the pledge and deposit of eligible collateral with a qualified escrow agent, equal to or in excess of required collateral amounts, priced at a minimum of 105% to 130% of all public deposits held by the bank, based on rating determined under the Act; and therefore will not be assessed for losses of another bank that is in default or has become insolvent. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. Both methods of securing public deposits are similar to depository insurance. Funds deposited in accordance with the Act are considered to be fully insurance.

### Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The City's equity and fixed income investments (except for bank deposits) are not insured and are registered in the name of the City and held by State Street Bank as custodian. The remaining City investments are held by the City's or in the City's name by the City's custodial banks. The policy for the Pension Trust fund is that all securities purchased by or for the System be properly and clearly labeled as an asset of the System and held in safekeeping by a third party custodial bank or institution in compliance with Section 2.2-4515 of the Code of Virginia. The City and its other component units have no formal policy regarding custodial credit risk for investments.

#### Interest Rate Risk

The City's Pension Trust fund uses a "Duration" policy to manage its interest rate risk. The duration policy is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

Other than for the assets of the City's Pension Trust fund, neither the City nor discretely presented component units have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Segmented Time Distribution (as of June 30, 2012)

#### Primary Government

			į			É	Investment Maturities	pes			
nvestment Type	1	Fair Value	2	Less than 1 year	I-3 years		34 years	9	6-10 years	П	10 years +
Corporate Debt	~	29,038,289	~	11,322,906 \$	4,569,123	~	6,441,353		1,505,907	*	5,199,000
Futures/Options/Swaps		56,207		(12,121)	155,636		(619'11)		(2,689)		*
Asser Backed Securities		8,266,885		*	524,134		10		٠		7,742,751
JS Government Securities		26,875,398		1,838,386	7,256,349		14,248,696		3,531,967		
Mortgage Backed Securities		78,686,080		٠	1,003,920		2,323,347		2,725,030		72,633,783
entificates of Deposit		4,680,000		4,680,000	•				٠		
Common Stock		3,062		*	**		**		- 83		3,062
Municipals		9,195,621		*			50		8		9,195,621
foreign Government Securities		10,215,704		5,142,952	***		305,406		4,649,911		117,435
Fixed Income Funds		156,013,580		*)	50		ŧ.				
Xornestic Equity Funds		325,721,196		*	50		**		10		91
international Equity Funds		186,886,286					*		*		*
Real Estate Funds		42,060,258		*3			10		0		20
Money Market Investments in Cash &											
Cash Equivalents		214,188,864	Me-	214,188,864	Č.				*		
Total	5	1,091,887,430 \$	s	237,147,987 \$	13,509,162 \$	5	23,247,183 \$ 12,410,126	s	12,410,126	u	94.891.652

## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

A reconciliation of the carrying value of deposit and investments as reported above to amounts reported in the Statement of Net Assets (Primary Government) and the Statement of Fiduciary Net Assets for the City is as follows:

1,091,887,430	s	Deposits and investments reported above
175,178,745		Less: Actual cash
1,267,066,175	s	Total Primary Government and Fiduciary
892,505,596	ss.	Total
863,923,831		Investments
28,581,765		Per Exhibit C-1 (Fiduciary): Cash and short-term investments
374,560,579	s	Total
44,739,025		Restricted cash and investments
78,027		Accrued Investment Income
12,575,113		Investments
14,385,331		Restricted cash held with fiscal agents
302,783,083	s	Cash and short-term investments
		Per Exhibit 1 (Primary Government):

### Credit Risk Related to Issuer

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's Pension Trust fund's formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies. Moody's Investors Services ("Moody's"), Fitch Ratings ("Fitch"), and Standard and Poor's ("S&P"), are not permitted without the written permission of the board. PIMCO has been given the authority by the board to invest 20% of the portfolio in below investment grade securities. The City's Pension Trust fund invests in certain derivatives including futures, swaps and options. Those securities are included in reported investments in the Retirement System's financial statements. Investments in derivatives with a fair value of \$56,207 were held at June 30, 2012. The City's rated debt investments as of June 30, 2012 were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P credit quality rating scale.

#### The Primary Government's Rated Debt Investment

Ratings (S&P)	Corporate Debt		Futures/Op Asset Backed ions/Swaps Securities	Foreign Government	US Government Securities	US Government Mortgage Backed Certificates of Securities Securities Deposit	Certificates of Deposit	Common Stock	Municipals	Fixed Income/ Equity/ Real Estate Funds	
	. 8		\$ 107,305	\$ 222,307		\$ 722,671					S
AAAm	80.0		+		*		4				213,531,939
	459,200	. 0	1,551,343	*	7,256,349	47,065,218		+0	**		
	*		74	300			*	24	944,744		
	2,813,943	3	4	2,670,123		*		+	1,318,055		
AAs-								•	*		
	7,785,687		*	2,180,322	*	4,605,627	4	3.5°	2,643,162		
	3,659,304				1,838,386	133,965		*3	936,118	0.00	
	9,675,908					335,759		2,346	3353.92		
35B+	1,945,426	. 9	•	*	*	113,290	4,480,000	+	*	*	
	233,144			38		153,972					
BBB-	1,766,133	3						at.		٠	
-	162,250	. 0				**	+				
	175,500	0	0	Ser and The							
	,	*		4	3	*		101	35	•	
3+ and 3clow	208,274	-	31,538			882,174		6	*		
Not Rated	213,520	0 56,207	6536,699	5,142,952	17,780,663	24,673,494	200,000	70		710,681,320	
Total	4	29 038 289 \$ 56 207 \$	\$ 8266.885 \$	\$ 10,215,704 \$	\$ 26875.398 \$		78.686.080 \$ 4.680,000 \$	3,062	5	\$ 195.621 \$ 710.681.320 \$	5 214.188.864

The City's Pension Trust fund held \$325,721,196, \$186,886,286, and \$42,060,258 in Domestic equity, International equity, and Real Estate Funds respectively, an additional \$156,013,580 in Fixed Income Funds which are unrated securities.

### Concentration of Credit Risk

Concentration risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Mutual funds are excluded from this disclosure requirement. For the City's Pension Trust fund investment, no more than 20% of each account's fixed income portfolio, including cash equivalents, shall be invested in bonds rated Baa (1, 2 and 3) or BBB (+ or -). Upon written request from an investment manager, the Retirement Board of Trustees will consider allowing more than 20% in these ratings and the purchase of bonds rated below Baa3 or BBB.

Other than for the assets of the City's Pension Trust fund, neither the City nor its component units have a formal investment policy regarding the amount it may invest in any one issuer.

## OITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City's Pension Trust fund's exposure to foreign currency risk is presented as follows:

Currency	Fixed-Income
Australian Dollar	\$ (3,226,301)
Brazilian Real	1,613,151
Canadian Dollar	4,839,452
Japanese Yen	(50,007,667)
Mexican Peso	6,452,602
	\$ (40,328,763)

Neither the City nor its component units have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The City's component units did not have any exposure to foreign currency risk at year end.

### Community Services Board (CSB)

At June 30, 2012, the CSB had \$5,042,940 of cash and cash equivalents held in investments and \$787,639 of restricted cash. The investments are primarily in the LGIP.

#### School Board

At June 30, 2012, the School Board has investments of \$24,711,000 in a Aaa rated money market mutual fund and other cash and cash equivalents of \$26,290,430 including \$5,762,336 held in agency funds.

#### Waterside Associates

At June 30, 2012, Waterside had \$33,841 of cash and cash equivalents.

#### III. Property Taxes

Local real property assessments are made under the direction of a City Assessor appointed by the City Council. The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. The rates in effect for the year ended June 30, 2012, on each \$100 of assessed value, were \$1.11 for real property, an additional \$0.16 for the Downtown Improvement District, \$4.33 for motor vehicles, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.11 for mobile homes, \$2.40 for arighmes, \$0.50 for recreational boats and \$1.50 for business boats. Disabled veterans pay a discounted rate of \$3.00 on each \$100 of assessed for personal property.

The property tax calendar is as follows:

	Property	Real Property
Lien date	July 1	January 1
Levy date for existing property	July 1	January 1
Levy date for real property improvement, new construction or newly acquired property	October 1, January 1 and April 1	Date of acquisition
Due dates	September 30, December 5, March 31 and June 5	June 5 or 30 days after acquisition

In the event any installment of taxes on any of the above properties is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

On or before due date

Collection dates

#### Accounts Receivable

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### Unbilled Accounts Receivable

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2012:

4,717,107	1,095,674	220,440	6,033,221
S		9	49
Water Utility fund	Wastewater Utility fund	Parking Facilities fund	

The associated revenue is included in charges for services. All amounts were billed in July 2012.

## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

## B. Allowances for Uncollectible Accounts Receivable

Allowances for uncollectible accounts receivable are generally established using historical collection data, consideration of economic conditions, specific account analysis and subsequent cash receipts. The allowances at June 30, 2012 are as

General Fund.		
Taxes	49	16,749,345
Accounts	85	19,183,000
Total - General Fund		35,932,345
Storm Water special revenue fund		374,700
Water Utility fund		2,959,418
Wastewater Utility fund		978,517
Total - Primary Government	S	40,244,980
Component Units:		
Community Services Board	69	398,818
Waterside Associates		31,409
Total - Component Units	69	430,227

### **Due From Other Governments**

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Amounts due from other governments, at June 30, 2012 are as follows:

				Capital		Total	රි	Component Unit
		General	ш.	Projects	C	Primary		School
Commonwealth of Virginia:	I	25	1	2	2	TID III III III III III III III III III		Dogun
Shared expenses	69	4,505,107 \$ 227,242 \$	59	227,242	S	4,732,349	69	
Categorical aid				iğ K		94 88 88		
Non-categorical aid		16,871,056				16,871,056		15,420,598
Non-major governmental funds grants		***		*		2,190,018		2,073,078
Enterprise funds				٠		53,550		•
Total - Commonwealth of Virginia		21,376,163		227,242		23,846,973	П	17,493,676
Federal Government:	ı				L			
Major governmental funds		10,041		٠		10,041		12,902,770
Non-major governmental funds grants				٠		7,117,076		418,663
Build America Bonds interest subsidy		20				665,849	ň	
Total - Federal Government		10,041				7,792,966		13,321,433
Total - Due from other governments	S	21,386,204	63	227,242	49	\$ 21,386,204 \$ 227,242 \$ 31,639,939 \$	S	30,815,109

### VI. Changes in Capital Assets

A summary of changes in capital assets, at June 30, 2012 follows:

				Primary Government	nuneac	ent		
	Bata	Balance, as restated		Additions	œ.	Retirements/ Transfers		Ending
Governmental activities:			1				-	
Non-depreciable capital assets:	0	C2200000000000	3	177000000000	25	12.000.000.000.000	35	0.0000000000000000000000000000000000000
Land	10	84,906,993	w	6,844,138	w	(5,587,905)	w	86,163,226
Construction in progress		106.304.559		44 683 895		(19.122.320)		131.866.134
Total non-depreciable assets		191,280,566	Ш	51,528,033		(24,710,225)	П	218,098,374
Depreciable assets:				000				200 200 200
Improvements other than huldings		59.616.956		4 127 57R		(0/5,117)		63 744 534
Equipment and vehicles		130,293,489		4,439,980		(3,703,912)		131,029,557
Intangible assets		3,978,857		114,212				4,093,069
Infrastructure		1,168,729,905		13,799,126		(5,819,397)		1,176,709,634
Total depreciable assets		2,042,788,682	П	30,703,996		(10,234,879)		2,063,257,799
Less accumulated depreciation/amortization:						***************************************		
Buildings		(294,712,614)		(15,365,510)		384,419		(309,693,705)
Engineers other than buildings		(70,765,415)		(1,981,119)		9 663 273		(17,785,534)
Intancible assets		(2 756 547)		(439 217)		0,000,000		(3.195.764)
Infrastructure		(975,609,152)		(9,184,790)		5,819,397		(978,974,545)
Total accumulated depreciation/amoritization		(1,368,786,178)		(35,483,536)	П	9,756,189	Ĭ	(1,394,513,525)
Depreciable assets, net		674,002,504		(4,779,540)		(478,690)		668,744,274
Total governmental activities capital assets, net	9	865,283,070	49	46.748.493	*	(25,188,915)	v	886.842.648
Business-Type activities:								
Non-depreciable capital assets:								
Land	10	46,646,352	49	1,356,665	10	٠	69	48,003,017
Intangible assets		2,304,237		26,445				2,330,682
Construction in progress		43,246,176	1	52,630,983		(29,142,182)		66,734,977
Penneciable senate:		36,130,100	I	04,014,033		(29,144,104)	ı	117,000,070
Land improvements		19,876,613						19,876,613
Buildings		369,770,057		745,813		(28,854)		370,489,016
Equipment and vehicles		611,488,268		29,676,256		(628,909)		640,505,615
Intangible assets		5,367,681	l	536,191		1005 3000		5,903,872
Locals depreciate assets Less accumulated depreciation/amortization:		E10/200'000'1		30,336,200	l	(507,000)		1,030,773,110
Land improvements		(3,333,556)		(388,170)		4		(3,721,726)
Buildings		(94,023,407)		(7,988,754)		11,816		(102,000,345)
Equipment and vehicles		(174,039,424)		(13,278,071)		608,653		(186,708,842)
Intangible assets Total accumulated depreciation/amortization		(274 251 570)		(22 327 817)		620 489		7295,958,9181
Depreciable assets, net		732,251,049		8,630,443		(65,294)		740,816,198
Business-Type activities	Į.						8	
capital assets, net	0	824,447,814	-	62,644,536	,	(29,207,476)	,	857,884,874
Component units activities:								
Land		487 500	45	٠		19	•	487 500
Construction in progress		13,824	ez.	1,342,907		(13,824)	.50	1,342,907
Total non-depreciable assets		501,324	Ц	1,342,907		(13,824)		1,830,407
Depreciable assets:								
Buildings and mobile classrooms		11,905,803		٠		(68,759)		11,837,044
Improvements other than buildings		863,107						863,107
Fourthern and vehicles		34 877 174		3 014 118		(2 807.134)		34 984 158
Intangible assets				16,900				16,900
Total depreciable assets		47,646,084		3,031,018		(2,975,893)		47,701,209
Less accumulated depreciation:		200		1000				APPLICATIONS
Buildings and mobile classrooms		(5,745,661)		(394,006)		41,965		(6,097,083)
Equipment and vehicles		(25,985,502)		(2,801,734)		2,637,144		(26,150,092)
Intangible assets			1	(1,377)	1		1	(1,377)
Total accumulated depreciation		16,437,868	l	(3,285,994)		2,679,130		14 886 120
Component units activities.		200,101,01		1000,000		Contract Contract	l	2000
capital assets, net	10	15,939,192	49	1,087,931	v	(310,587)	89	16,716,536

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

Depreciation expense was charged to governmental and business-type activities as

Cition		
5	5	

s seeds seed	Governmental activities:		
8   8   8   8   8   8   8   8   8   8	General government	s	9,147,901
2 2 2 8 ± 4 2 8 2 2 6	Judicial administration		1,110,883
2   2   2   2   2   2   2   2   2   2	Public safety		4,013,988
2   2   2   2   2   2   2   2   2   2	Public works, which includes the		
2	depreciation of infrastructure assets		12,055,858
2	Health and sanitation		245,714
N	Culture and recreation		7,667,696
N	Community development		880,410
Figure 11	In addition, depreciation on captal assets held by the City's Internal Service funds is charged to the various fundions		
25 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	based on their usage of the assets. Total depreciation expense	69	35,408,463
2 b 2 c c	Business-type activities:		
8 b 8	Water Utility fund	69	11,902,145
8	Wastewater Utility fund		4,962,310
8 p	Parking Facilities fund		5,473,362
s	Total depreciation expense	w	22,327,817
anioes Board \$ 2 2 2 2 2 2 2 2 2 3 3	Component unit activities		
2 ociales S 3	Community Services Board	69	198,275
S 3	School Board		2,810,515
S	Waterside Associates	1	277,616
	Total depreciation expense	S	3,286,406

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The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2012:

	Expense	Revenue	Capitalized
Water Utility fund	\$ 1,569,114	\$ (135,511)	\$ 1,433,603
Wastewater Utility fund	563,980	(5,193)	563,980 (5,193) 558,787
	\$ 2 133 094	\$ (140 704)	\$ 1 992 390

### VII. Short-Term Obligations

### A. Bond Anticipation Notes

On March 24, 2011, the City issued a \$51,655,000 General Obligation Bond Anticipation Note (BAN), Series 2011A (Tax-Exempt). The 2011A BAN consisted of \$36,930,000 Note with an interest rate of 3.00% to yield 1.28% and a \$14,725,000 Note with an interest rate of 2.000% to yield 1.280%. The proceeds of the Series 2011A BAN were used to current refund on April 1, 2011, the outstanding principal amount and accrued and unpaid interest on the City's General Obligation BAN, Series 2010C. City Council has authorized that the Series 2010C. City Council has authorized that the Series 2010 way be extended or refinanced from time to time by or at the direction of the City Manager provided that no extension or refinancing matures later than five years from the date of the original issuance of such Note (May 21, 2009).

On March 24, 2011, the City issued a \$23,650,000 General Obligation BAN, Series 2011B (Taxable) with an interest rate of 2.090% to yield 2.090%. The proceeds of the Series 2011B BAN were used to current refund on April 1, 2011, the outstanding principal amount and accrued and unpaid interest on the City's General Obligation BAN, Series 2010D (Taxable). City Council has authorized that the Series 2011B BAN may be extended or refinanced from time to time by or at the direction of the City Manager provided that no extension or refinancing matures later than five years from the date of the original issuance of such Note (January 21, 2010).

Interest on both the Series 2011A and the Series 2011B BANs will be payable semiannually on January 1 and July 1, commencing January 1, 2012. Principal and interest accrued on the Series 2011A and the Series 2011B BANs shall be payable at maturity on January 1, 2014. Moody's Investors Service, Inc. ("Moody's) and Standard & Poor's Rating Services reaffirmed the City's existing long-term rating "Aa2" and "AA", respectively on both the Series 2011A BANs. Moody's additionally assigned a short-term rating of "MIG-1" on both the Series 2011A and the Series 2011B BANs. Both the Series 2011A and the Series 2011B BANs are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest. Either of the Series 2011A BANs or the Series 2011B BANs may be retired, at the discretion of the City Council, from the proceeds of future Capital Improvement Bonds, any revenue bonds of the City or by means of current revenues, special assessments or other funds.

Both the \$51,655,000 General Obligation BAN, Series 2011A (Tax-Exempt) and the

## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

\$23,650,000 General Obligation BAN, Series 2011B (Taxable) are included in the City's Outstanding General Obligation Bonds, and are classified as long-term obligations in the current year.

#### B. Variable Rate Bonds

# General Obligation Variable Rate Demand Bonds, Series 2007

The City issued \$32,365,000 in General Obligation Variable Rate Demand Bonds, Series 2007 (AMT) on March 29, 2007, to finance the acquisition, construction and equipping of an approximately 80,000 square foot cruise ship center which included docking areas and meeting space. This facility, which is owned and operated by the City, is known as the Half Moone Cruise & Celebration Center. As of June 30, 2012, \$30,265,000 remains outstanding and included in the City s long-term debt. The Series 2007 Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and intenest.

Since the Series 2007 Bonds financed a project that is used by private cruise ship lines, interest paid to the bondholders initially was subject to the alternative minimum tax (AMT). Taking advantage of a provision in the American Recovery and Reinvestment Act of 2009 (ARRA) that provided a holiday from the AMT for bonds issued in 2009 and 2010, the City permanently converted the Series 2007 Bonds from AMT to non-AMT tax status on August 27, 2009. The Series 2007 March 1, 2007, (the "Original Indenture") between the City and Regions Bank, as bond trustee (the "Trustee"). To effect the conversion, an Amended and Restated Indenture of Trust dated as of August 1, 2009, between the City and Restated Indenture of Trust dated and Restated Indenture") was executed for purposes of amending and restating the Original Indenture") was executed for purposes of amending

The Amended and Restated Indenture provides that the Series 2007 Bonds shall bear interest from time to time in any one of seven Interest Rate Periods: (i) a Daily Rate Period, (ii) a Weekly Rate Period, (iii) a Monthly Rate Period, (iv) a Commercial Paper Period, (v) an Indexed Put Rate Period, (vi) a Medium Term Rate Period, and (vii) a Fixed Rate Period. All Series 2007 Bonds must be in the same Interest Rate Period at any one time.

Additionally, the Amended and Restated Indenture provides that a portion of the Series 2007 Bonds maturing on August 1, 2037, in the amount of \$1,910,000 is subject to mandatory redemption. As a sinking fund, on August 1, 2036, the Trustee shall redeem \$1,910,000 of the Series 2007 Bonds plus accrued interest thereon to redemption date. The remainder of the Series 2007 Bonds are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date. The final maturity on the Series 2007 Bonds is August 1, 2037.

Since delivery, the interest rate period on the Series 2007 Bonds has been at the Weekly Rate. Liquidity for the payment of the purchase price of Bonds tendered for purchase by the owners is provided pursuant to a Standby Bond Purchase

Agreement (the "Liquidity Facility") between the City and Lloyds TSB Bank pic (the "Bank") at a liquidity fee of 12.5 basis points (0.125%). The interest rate on the Bonds is subject to Conversion to another interest rate mode, except from a Fixed Rate to another interest rate period, in whole and not in part, at the option of the City, by mailing a notice thereof to the Trustee, the Credit Provider, Liquidity Purchaser, the Paying Agent and the Remarketing Agent at least 30 days before the Conversion Date and, if the Conversion is from the Commercial Paper Period to another mode, subject to certain limitations, accompanied by a preliminary written opinion of Bond Counsel stating that such Conversion is authorized under the Indenture and will not adversely affect the exclusion of the interest on any of the Bonds from the gross income of the recipient thereof for federal income tax purposes.

The Liquidity Facility, which expires March 28, 2014, provides for the purchase of the Bonds which have been tendered, but not remarketed. The unremarketed Bonds which have been tendered, but not remarketed. The unremarketed Bonds held by the Bank (the "Bank Bonds"), if any, shall bear interest at the Bank Rate in accordance with the Liquidity Facility. The Bank Rate on the Bank Bonds will be computed for the first 30 days to be the Base Rate, which for any day is the higher of the Prime Rate or the Federal Funds Rate, plus fifty basis points (0.50%) per annum. The Bank Rate on the Bank Bonds for days 31 to day 90 will be computed as the Base Rate plus 1.50%. At 91 days and onward, any advances made under the Liquidity Facility, if any, will constitute a Term Loan and interest will be caclulated as the Base Rate plus 2.00% (the "Term Loan and interest will be caclulated as the Base Rate plus 1.50%), and the Term Loan and interest will be paid on the 90th day following the commencement date of the Term Loan; however the Term Loan may be prepaid by the City, without premium or penalty, upon one (1) business day notice in whole or in part, but if in part, in a minimum aggregate principal amount of \$500,000 and integral multiples of \$100,000 in excess thereof.

Through June 30, 2012, all the Series 2007 Bonds have been successfully remarketed by the remarketing agent.

# Variable Rate Parking System Revenue Bonds, Series 2004A (Taxable)

The City issued \$6,695,000 in Variable Rate Parking System Revenue Bonds, Series 2004A (Taxable) on October 28, 2004, to finance the costs of acquiring, constructing and equipping capital improvements to the Parking System. As of June 30, 2012, \$5,940,000 remains outstanding and included in the City's long-term debt. The bonds mature February 1, 2035.

The Series 2004A Bonds are limited obligations of the City payable from the Net Revenues derived from the City's Parking System and other funds pledged for their payment under the terms of the Master Indenture of Trust dated as of February 1, 1997, as supplemented, between the City and U.S. Bank Trust National Association, as successor Trustee (the "Trustee").

The Indenture provides that the Series 2004A Bonds shall bear interest from time to time in any one of four Interest Mode: (i) a Daily Rate Mode, (ii) a Weekly Rate Mode, (iii) a Long-Term Mode, or (vii) a Fixed Mode. All Series 2004A Bonds must

## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

be in the same Interest Mode at any one time. Since initial delivery, the interest rate mode on the Series 2004A Bonds has been at the Weekly Rate. The interest rate on the Bonds is subject to Conversion to another interest rate mode, except from a Fixed Rate to another interest rate mode, in whole and not in part, at the option of the City, by mailing a notice thereof to the Trustee at least 30 days before the Conversion Date. Upon change in an Interest Mode, the Series 2004A Bonds are subject to mandatory tender for purchase to U.S. Bank Trust National Association, as tender agent. Notice must be sent by mail to the Owners of the Series 2004A Bonds no less than 15 days prior to the change in the Interest Mode. The Maximum Bond Rate (other than with respect to Bank Bonds) at any time is 15% per annum.

In conjunction with these bonds, the City maintains a Credit Facility. The Credit Facility is an irrevocable direct-pay letter of credit (LOC) obligation of Bank of America, N.A. (the "Credit Facility Issuer"). The annual LOC fee is 48 basis points for the current three-year LOC that expires on October 26, 2013. The LOC provides (i) the principal of the 2004A Bonds or the portion of the Purchase Price corresponding to the principal of the 2004A Bonds, to the extent remarketing proceeds are insufficient and (ii) 45 days accrued interest (at a maximum rate of 15% per annum) on such 2004A Bonds or that portion of the Purchase Price corresponding to the interest accrued thereon.

The LOC provides for the purchase of the Bonds, which have been tendered, but not remarketed. The unremarketed Bonds held by the Bank (the "Bank Ronds") shall bear interest at the Bank Rate in accordance with the Credit Facility. Interest on the Bank Bonds will be computed as the per annum rate (rounded upwards, if necessary, to the next higher 1/100 of 1%) equal to one month LIBOR plus 200 basis points (2.0%). The Bank Rate shall not be subject to the Maximum Bond

At the option of the City, any 2004A Bonds are subject to redemption prior to maturity as further described in the Fifth Supplemental Indenture of Trust between the City and the Trustee.

Through June 30, 2012, all the Series 2004A Bonds have been successfully remarketed by the remarketing agent.

### VIII. Long-Term Obligations

### A. General Obligation and Revenue Bonds

The City has traditionally issued general obligation or revenue bonds to provide funds for the construction and acquisition of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In 1993 and 1997 the City established Water revenue and Parking revenue bond programs, respectively. The Wastewater revenue bond programs, respectively. The Wastewater revenue bond program was established in fiscal year 2008.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds are limited liability obligations where revenues derived

from the respective acquired or constructed assets are pledged to pay debt service.

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2012, follows:

		A 100 CO			1				
	Ac	Governmental Activities - General		Water Utility	× -	Wastewater Utility	Parking Facilities		Total
	රි	Obligation Bonds		Bonds	-	Bonds	Bonds	En	Enterprise Funds
General obligation bonds outstanding									
at July 1, 2011	S	639,674,884	s	3,896,689	-	97,325,399 \$	85,976,693 \$	S	187,198,781
Bonds retired		(56,025,354)		(2,058,267)		(7,165,509)	(1,464,104)		(10,687,880)
Bonds refunded		(74,859,421)		1		(6,241,599)	(1,728,980)		(972,079,7)
Bonds transferred		9,840,460		â		14	(9,840,460)		(9,840,460)
Bonds reamortized		•		•		4			
Bonds issued		169,245,313		ř		27,583,367	1,626,320		29,209,687
Bonds outstanding at June 30, 2012		687,875,882		1,838,422	-	111,501,658	74,569,469		187,909,549
Unamortized (discount) premium		29,531,510		(29,405)		4,638,983	1,275,867	1	5,885,445
General obligation bonds outstanding at June 30, 2011, adjusted for unamoritzed (discount) premium	S	717,407,392	~	\$ 210,608,1		116,140,641 \$	75,845,336 \$	6	193,794,994
Revenue bonds outstanding at July 1, 2011			S	340,895,000 \$	(4)	\$ 659,727,65	84,820,000 S	S	449,442,659
Bonds retired				(11,285,000)		(1,225,000)	(2,565,000)		(15,075,000)
Bonds refunded				(210,160,000)			2		(210,160,000)
Bonds issued			9	176,925,000		11,387,503			188,312,503
Bonds outstanding at June 30, 2012				296,375,000		33,890,162	82,255,000		412,520,162
Unamortized (discount) premium				30,042,625		(67,983)	(3,085,071)		26,889,571
Revenue bonds outstanding at June 30, 2012,									
adjusted for unamortized (discount) premium			S	326,417,625 \$	ñ	33,822,179 \$	79,169,929 \$	s	439,409,733

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

General obligation and revenue bonds outstanding at June 30, 2012, are composed of the following individual issues:

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Public Improvement Allocation	Water Utility Allocation	Wastewater Utility Allocation	Parking Facilities Allocation	Balance
Series 1989 Property Appuisition	7/11/1989	1 500 000	892.9	1500000	,	8		1 500 000
Coulos 1007 ODB	A DA E CADOLS	900000	200 a 200	and the same of				
Company of the Compan	1000000	000'000'6	2000				00	
Senes 1998 CIKB	9r15r1998	2,560,000	470-510%	130,000		100	,	130,000
Series 1999 QRB	7/1/1999	4,000,000	5.10 - 5.30%	200,000		*	٠	200,000
Series 1999 QZAB	8/13/1999	7,000,000	none	•	*		٠	
Series 2000 QRB	7/15/2000	3,995,000	5.25 - 5.65%	200,000		à		200.000
Series 2000 QZAB	11/22/2000	3 637 170	non	559 565		•		559 565
Saries 2001 OZAB	12/27/2001	1.062.830	9009	245,388		8.5		245, 789
Saries 2002 Cackel Improvement and	2/1/2002	74 200 000	S ANNE	4 704 000		500 000		000,000,000
Series 2002 ORB	271/2002	7 965 000	450.550%	1,100,000		non'non		*******
Sariae 2003 Brosech Apprietion	SHADOO	2 400 000	4, 28%	3 400,000				2 400 000
Series 2002 Figure Improvement and	2007	200,000,0	2000	מיייים מיייים				00'00-'0
Dahadan	44747007	74.400.000	3.00 6.058	B 400 048	790.590	76.4 800	200 000	0.040.000
Netrodong Services	2002/11/1	000'066'67	300-070	0,492,010	138,358	28.85	500,000	0,449,939
Series 2003 VKA	4/6/2003	9,423,794	3.50%			6,711,997		6,711,997
Series 2003 Capital Improvement and								
Refunding	11/15/2003	69,375,000	3.50 - 4.75%	5,600,019		109,981	÷	5,710,000
Series 2004 Refunding	3/1/2004	96,396,000	4.00 - 5.00%	18,646,300		3,083,700		21,730,000
Series 2004 HUD	3/3/2004	13,000,000	4.32 - 5.97%					
Series 2004 Procerty Acquisition	7/29/2004	1,775,000	7.00%	1 080 295			9.4	1 080 295
Series 2004 VRA	MODC/21/8	11 100 000	3.10%			R.F. ED 238	353	8,510,238
Socioe 2006 Capital Improvement and						and a second		and a large
Refunding	30000317	94 365 000	A 125 . K DOM	850 553 35		4 507 022	19	40 180 000
Carrier 2006 MDA	37447000	84 487 800	3000	20,012,000		0.057.040		0.007.000
Charles 2000 PION	00000000	200,000	2000			9,000,000		0,000,00
Series zouces VRA	SIZBIZONE	14,250,000	none	***		11,400,000	•	11,400,000
Series 2005 Capital Improvement and								
Refunding	11/15/2006	115,055,000	4.00 - 5.00%	21,581,006	*	1,901,509	667,484	24,149,999
			variable - June					
			30, 2012 rate of					
Series 2007 VRDB (AMT)	3/29/2007	32,365,000	0.22%	30,265,000				30,265,000
Series 2008A&B Refunding	2/13/2008	17,160,000	3.00 - 4.625%	9,765,000		Comments.	9	9,765,000
Series 2008C Capital Improvement	6/30/2008	153,605,000	4.70 - 5.00%	84,490,000	-	18,230,000		102,720,000
Series 2009A Capital Improvement	5/21/2009	55,280,000	2.00 - 4.375%	48,195,000				48,195,000
Series 2009B Refunding	5/21/2009	21,895,000	300-500%	7,794,181	1,098,833	674,057	282,930	9,850,001
Series 2010A Capital Improvement	1/21/2010	49.875.000	1.75 - 5.00%	33,668,065	4	2385,785	4.136.151	40.190.001
Series 2010B Capital Improvement	1/21/2010	117,650,000	4.04 - 5.962%	108.841.905		8.808.095		117,650,000
Series 2010E Capital Improvement	2/25/2010	5,000,000	2.00 - 4.00%				4,750,000	4.750.000
Series 2010F Capital Improvement	2/25/2010	5,000,000	1.30 - 5.05%	4.750,000			*	4.750.000
Series 2010G Refunding	10/19/2010	90,165,000	250-500%	83,096,006		6,867,368	199,626	90,165,000
Series 2011A Bond Anticipation Note	3/24/2011	51,655,000	2.00 - 3.00%	10,561,863			41,093,137	51,655,000
Series 2011B Bond Anticipation Note	3/24/2011	23,650,000	2.09%	2,099,982	+	*	21,550,018	23,650,000
Series 2012A Refunding	5/30/2012	69,030,000	2.50 - 5.00%	61,445,313		5,958,367	1,626,320	69,030,000
Series 2012B Refunding	5/30/2012	7,805,000	2.50 - 4.00%	7,805,000				7,805,000
Series 2012C Capital Improvement	6/28/2012	114,270,000	250-5.00%	92,645,000		21,625,000		114 270,000
Series 2012D Canital Improvement	SPACING S	7 350 000	4 3584	7.350,000		The second secon		7 350 000

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			2	DUSH REST-1990 MUMBES		1	
					Wastewater	i Iso	Balance
Bond Issue/Purpose	Dated	Interest Rafe	Water Utility	Parking Facilities	URBA	0	Outstanding
Series 1993 Water Revenue	11/1/1993	5.25 - 5.375%				5	
Series 1995 Water Revenue	8/15/1995	5.75 - 5.90%					,
Series 1998 Water Revenue and Refunding	11/1/1998	4,75 - 5,125%	34		83		
Series 1999 Parking System Revenue	2/15/1999	4.00 - 5.00%	ê	12,840,000	•		12,840,000
Series 2001 Water Revenue and Refunding	10/15/2001	4.00 - 5.00%	٠				٠
Series 2000B Parking System Revenue and Refunding	10/1/2000	5.50 - 5.50%	i i	15,155,000			15,155,000
		variable - June 30, 2012 rate of					
Series 2004A Variable Rate Parking System Revenue	10/28/2004	0.38%	[]	5,940,000	0.0		5,940,000
Series 2004B Parking System Revenue and Refunding	10/28/2004	2.50 - 5.00%	*	23,960,000	Ť		23,960,000
Series 2005 Water Revenue and Refunding	3/23/2005	3.50 - 5.00%	17,505,000	٠			17,505,000
Series 2005 Parking System Revenue Refunding	6/15/2005	4.00 - 5.00%	0	24,380,000			24,380,000
Series 2007 Wastewater Revenue	11/9/2007	0.00%			14,875,00	0	14,875,000
Series 2008 Water Revenue	4/23/2008	3.00 - 5.00%	55,440,000				55,440,000
Series 2009 Wastewater Revenue	11/17/2009	9,000			7,125,000	0	7,125,000
Series 2010 Water Revenue	9/30/2010	2.00 - 4.50%	46,505,000	٠			46,505,000
series 2010 Wastewater Revenue	10/19/2010	0.00%	٠		9,100,161		9,100,161
Series 2011 Wastewater Revenue	10/21/2011	%000		4	2,790,001	_	2,790,001
Series 2012 Water Revenue Refunding	4/4/2012	2.00 - 5.00%	176,925,000		٠		176,925,000
otal Revenue Bonds			\$ 296,375,000	\$ 82,255,000	\$ 33,890,162	1	\$ 412,520,162
			minosiminospopolinis	į		n	<b>BOOM CONTRACTOR</b>

The Parking System's Series 2004 Variable Rate Demand Bonds are remarketed weekly and have averaged 0.38% over the one-month London Interbank Offered Rate (LIBOR) since incention

The Series 2007 General Obligation Variable Rate Demand Bonds, utilized to finance the construction of the cruise terminal, are remarketed weekly and are generally anticipated to be 0.22% higher than the Securities Industry and Financial Market Association (SIFMA) Index.

### B. General Obligation Bonds

A summary of the requirements to amortize general obligation bonds are as follows:

Year Ending		<b>Governmental Activities</b>	al A	ctivities		<b>Business-type Activites</b>	6 A	ctivites
June 30,		Principal		Interest		Principal		Interest
2013	S	49,932,456	69	27,694,020	w	8,774,924	69	6,035,149
2014		60,141,397		27,365,190		71,295,410		5,925,755
2015		47,165,754		25,231,401		8,817,818		4,012,388
2016		43,392,184		23,227,472		7,605,033		3,688,798
2017		43,046,491		21,302,358		7,540,569		3,400,295
2018-2022		193,630,251		79,384,837		35,406,527		13,520,246
2023-2027		148,795,921		40,623,239		34,958,716		6,930,827
2028-2032		70,261,428		12,758,115		12,430,552		1,563,252
2033-2037		23,925,000		2,227,975		1,080,000		27,000
2038-2042		6,655,000		814,487		•		
2043		930,000		23,250				
Total	69	Total \$ 687,875,882 \$ 260,652,344 \$ 187,909,549 \$	S	260,652,344	69	187,909,549	69	45,103,710

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

The detailed requirements to amortize general obligation bonds for the major proprietary funds are as follows:

Year Ending		Water Utility Fund	IIV.	pun.		Wastewater Utility Fund	重	y Fund		Parking Facilities Fund	se	Fund
June 30,		Principal		Interest		Principal		Interest		Principal		Interest
2013	69	739,589	69	82,154	5	6,946,909	*	3,970,287	60	1,088,426	5	1,982,708
2014		551,047		41,165		7,125,085		3,897,661		63,619,279		1,986,929
2015		547,786		13,695		7,289,465		3,603,898		980,567		394,795
2016						6,846,958		3,358,707		758,075		330,092
2017		1		٠		6,947,120		3,103,090		593,450		297,205
2018-2022						32,463,267		12,309,608		2,943,259		1,210,638
2023-2027		¥		ı		32,032,301		6,260,406		2,926,413		670,422
2028-2032				è		10,770,553		1,395,600		1,660,000		167,649
2033-2037						1,080,000		27,000				
• CANCOLOGICA SONO	S	1838422	65	137.014	65	111 501 658	65	37 926 257	69	74 569 469	S	7.040.438

#### C. Revenue Bonds

The water revenue bond covenants require that each year's Water Utility fund net revenue not be less than the greater of (i) the sum of 1.1 times senior debt service and 1.1 times subordinated debt service or (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the Statement of Net Assets because their use is limited by applicable bond covenants.

The wastewater revenue bond covenants require that each year's Wastewater Utility fund net revenue will equal at least 1.15 times the amount required during the fiscal year to pay the principal of the wastewater revenue bond, the additional payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness of the borrower payable from revenues, including without limitation, indebtedness or under leases which are treated as capital leases under GAAP, but excluding any general obligation bonds issued to finance wastewater system property. These resources are classified as restricted investments on the Statement of Net Assets because their use is limited by applicable bond covenants.

The parking revenue bond covenants require that each year's Parking Facilities fund net revenue not be less than the greater of (i) the sum of 1.25 times senior debt service and 1.0 times subordinated debt service and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the MacArthun Center garage reserve fund, the repair and replacement reserve fund, the surety bond interest fund and the subordinate debt service fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted investments on the Statement of Net Assets because their use is limited by applicable bond covenants.

The detailed requirements to amortize water, wastewater, and parking revenue bonds are as follows:

ear Ending	Wate	ater Revenue	nue		Parking Revenue	even	58	Wastewater Revenux	Reve	nuc
June 30,	Principal		Interest		Principal		Interest	Principal	1	nterest
2013 \$	7,000,000	\$ 00	14,276,059	8	2,690,000	S	3,776,469 \$	 1,725,000	S	*
2014	7,250,000	00	13,476,719		2,835,000		3,650,501	1,817,140		
2015	7,805,00	00	13,244,769		2,970,000		3,517,134	1,817,140		
2016	8,750,00	00	12,894,294		3,085,000		3,399,360	1,817,140		
2017	10,655,001	00	12,438,019		3,240,000		3,264,211	1,817,140		*
2018-2022	78,845,00	00	51,726,070		18,775,000		14,059,244	9,085,701		٠
2023-2027	84,255,000	00	30,331,388		23,985,000		9,251,360	9,085,701		
2028-2032	44,495,000	00	15,155,840		21,560,000		3,226,787	6,585,700		
2033-2037	30,305,00	00	7,108,874		3,115,000		178,809	139,500		
2038-2042	17,015,0	00	1,134,831				200000000000000000000000000000000000000			*
Total S	296,375,000	8 00	171,786,863	S	82,255,000	S	44,323,875 \$	33,890,162	s	

#### D. Mortgage Payable

Waterside Associates has a mortgage payable that has been extended several times since inception. As of June 30, 2012, the most recent extension began on September 1, 2011 requiring 23 monthly installments of \$45,000 ending with a final payment of outstanding principal and accrued interest on August 2, 2013. Interest is payable monthly at a rate of LIBOR plus 1.58% with a maximum rate of 6.25% and a minimum rate of 3.25%. The effective interest rate as of June 30, 2012 was 3.25%. The loan is secured by the building and land and is guaranteed by its partners. The loan balance as of June 30, 2012 ks \$4,285,529.

#### . Other Notes and Loans

The City purchased property in December 2009 and, as a part of the purchase agreement, the City assumed the outstanding balance of the Seller's existing loan with Southern Bank in the amount of \$1,208,262. The balance of this note was paid in full during the fiscal year ended June 30, 2012.

### . Current and Advanced Refundings

On April 4, 2012, the City sold \$176,925,000 of water revenue refunding bonds. The Series 2012 Bonds were used to defease \$40,055,000 of the Citys Series 1993 Water Revenue Bonds, \$77,650,000 of the Citys Series 1995 Water Revenue Bonds, \$61,700,000 of the Series 1998 Water Revenue Bonds, \$61,700,000 of the Series 1998 Water Revenue Bonds, \$28,035,000 of the City's Series 2001 Water Revenue Bonds and \$2,720,000 of the City's Series 2005 Water Revenue Bonds. The refunding will reduce the City's total debt service payments for bonds and result in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$39,272,782. Based on the City's long-standing wholesale contract with Virginia Beach, a portion of the refunding savings will be shared in accordance with the applicable contract terms.

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

On May 30, 2012, the City sold \$76,835,000 of general obligation bonds. The two-prong sale was comprised of \$69,030,000 of General Obligation Capital Improvement Refunding Bonds, Series 2012A and \$7,805,000 of General Obligation Qualified Redevelopment Bonds, Series 2012A MAIT). The Series 2012A Bonds were used to defeased \$5,580,000 of the City's Series 2006 General Obligation Bonds, \$55,745,000 of the City's Series 2006 General Obligation Bonds and \$12,735,000 of the City's Series 1997 Qualified Redevelopment Bonds, \$775,000 of the City's Series 1998 Qualified Redevelopment Bonds, \$1,400,000 of the Series 1999 Qualified Redevelopment Bonds and \$4,000,000 of the City's Series 2002 Qualified Redevelopment Bonds and \$4,000,000 of the City's Series 2002 Qualified Redevelopment Bonds and selection and selective between the present values of the debt service payments on the old and new debt) of \$7,434,987.

Previously, the City of Norfolk defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the fund's financial statements.

At June 30, 2012, the following defeased bonds from advance refunding are still outstanding:

Defeased In O	Original Issue	Amount	Redemption
2006	2002B	\$ 6,920,000	7/1/2012
2011	2002B	10,380,000	7/1/2012
2011	2003	28,550,000	12/1/2013
2011	2005	20,950,000	3/1/2015
2011	2006	7,650,000	10/1/2014
2011	2008C	23,135,000	4/1/2017
2012	2004	200,000	8/1/2012
2012	2004	505,000	8/1/2013
2012	2004	12,030,000	8/1/2014
2012	2005	5,580,000	3/1/2015
2012	2006	55,745,000	10/1/2014
		\$ 171,645,000	

#### G. Lease Obligations

#### Operating Leases:

The City leases various facilities for operational and office space from various lessors under operating leases. Total rental expenditures under these leases were \$3,808,764 for the fiscal year ended June 30, 2012.

Future year lease obligations are listed below:

Year Ending		Lease
June 30,		Obligations
2013	69	5,111,123
2014		4,864,374
2015		4,448,595
2016		3,937,194
2017		1,734,399
Thereafter		3,033,415
Fotal minimum lease payments	69	23,129,100

As described in Note XXV, effective July 1, 2012, the CSB became a department and special revenue fund in the City and as a result the City has assumed responsibility for its leases. CSB's leases are included in the preceding table and represent \$8,483,348 of the total lease obligations presented.

#### H. Landfill Liability

The Campostella Landfill was issued a permit by the Virginia Department of Health on February 18, 1983 to operate a construction demolition debris (CDD) waste landfill. The landfill accepted primarily CDD and inert waste in addition to sanitary and debris waste. The landfill stopped receiving waste on June 30, 1992. The Virginia Department of Environmental Quality (DEQ) approved the closure certification and officially designated the facility closed on August 2, 2002. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 10 years after regulatory closure. During the fiscal year ended June 30, 2010, the DEQ notified the City that it must demonstrate corrective action and 10 years of post-close care costs beyond December 31, 2010. The \$1,658,438 reported as an obligation for landfill closure and post-closure costs at \$1,658,438 reported as an obligation for landfill closure and post-closure costs at land costs may be higher due to inflation, changes in technology and/or changes in laws.

The Campostella landfill statistically exceeded groundwater protection standards in May 2002. Until a remedy for corrective action is chosen and approved, \$1,000,000 is included in the liability above for groundwater corrective action as required by state law.

## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

### Compensated Absences

A liability for vested vacation and sick leave benefits is recorded as general longterm obligations. These benefits represent future obligations of the following funds and component units:

Primary Government:

Governmental activities:		
General fund	69	14,781,412
Non-major governmental and		
internal service funds	13	1,133,959
Total governmental	S	15,915,371
Enterprise funds:		
Water Utility fund	s	1,044,689
Wastewater Utility fund		374,331
Parking Facilities fund		311,959
Total enterprise funds	S	1,730,979
Component Unit - School Board	69	8,967,984
Component Unit - CSB	S	877,171

#### J. Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City without referendum. At June 30, 2012, the City's debt limit is \$1,867/67/30,53 of which \$990,612,622 is available for the issuance of additional debt. There are no overlapping tax jurisdictions.

### K. Bonds Authorized and Unissued

A summary of bonds authorized and unissued as of June 30, 2012 are as follows:

Projects		Total
General Obligation Bonds Authorized and Unissued: Capital Fund Projects General Capital Improvement Projects Maritime Center Capital Improvement Projects Towing and Recovery Capital Improvement Projects	44	139,316,011 425,000 3,091,084
Storm Water Capital Improvement Capital Fund Projects Total	S	142,832,095
Parking Facilities Fund Projects Wastewater Utility Fund Projects G.O. Bonds Authorized and Unissued	S	7,485,748
Revenue Bonds Authorized and Unissued:		
Water Utility Fund Projects Parking Facilities Fund Projects	-	75,520,626
Revenue Bonds Authorized and Unissued		147,943,155
Total Bonds Authorized and Unissued:	69	298,260,998

## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 39, 2012

### L. Changes in Long-Term Obligations

A summary of fiscal year 2012 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

Triming   S   661726,342   S   184,196,363   S   132,47,131   S   132,47			Balance		Additions		Bedictions		Ending	^ 3 I	Amounts Due Within One Year
1,000,000   1,00			DOM: NO.	l	Controlls		- Control of	l	Dataling	1	and only
1,000,004   190,005   1,000,	GOVERNMENTAL ACTIVITIES: Bonds and Notes Payable: General obligation debt	69	651,755,342	**	198,199,363	**	132,547,313	49	717,407,392	49	52,498,750
00018 114,022,000 114,023,510 114,022,000	Notes Total Bonds and Notes Payable	1	1,208,282	l.	198,199,363	1	1,208,262	L	717,407,392	l,	52,498,750
00011 11,100,200 0,0,42,301 0,0,44,301 0,0,4	Other Liabilities:										
1,772,002	Refirement system contribution		38.140.246		36.942.395		38.140.246		36,942,385		36 942 385
1,000,000	Other post-employment benefits		18,118,060		7,238,013		2,485,432		22,870,641		
1,070,002	Retiree's life insurance		395,000				65,000		330,000		75,000
150,728,986   55,707,513   55,000,770   187,306,351   187,306,351   187,306,351   187,306,351   187,306,351   187,306,351   187,306,351   187,306,351   187,306,351   187,306,351   187,306,351   187,306,351   187,306,351   187,306,320   18	Self-insurance I andfill closure and nont-closure costs		31,673,082		4,403,895		4,676,586		1,400,391		3,649,622
\$ 778,692,577 255,907,176 187,205,351 187,	Total Other Liabilities	П	104,728,968	П	57,707,813	Ц	53,609,776	П	108,827,005	П	50,987,017
\$ 756,645 TO 100,162 TO 100,163 T	Governmental Activities Long-term liabilities		757,692,572		255,907,176		187,365,351		826,234,397		103,465,767
\$ 750,014.075 \$ 700,000.000 \$	nternal Service Funds: Retirement system contribution		605.162		556.251		805.162		558.251		556.251
\$ 746.014.075 \$ 226.000.000 \$ 100.045.000 \$	Vested compensated absences Total Internal Service Funds	П	316,341		145,271		776,543	Ш	290,231	11	207,810
\$ 344,446,91 \$ 178,092,000 \$ 170,045,280 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Fotal Governmental Activities.	**	758.614,075	**	256,608,698		188,141,894	**	827,080,879	**	104,229,828
\$ 34448931 \$ 170,045200 \$ 190,045200 \$ 5	BUSINESS-TYPE ACTIVITIES; Boeds and Notes Pavable:										
\$ 4706.427 \$ 218,866.872 \$ 218,256.41 \$ 1,000.186 \$ 1,	Water	**	344,346,931	619	176,925,000		193,045,289	**	328,226,642	**	7,739,589
\$ 643,369,364 \$ 1,736,427 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,369,367 \$ 643,669 \$ 650,667 \$ 650,	vvasiowane Parking facilities		169,005,117		36,970,670		13,991,197		155,013,920		3,778,426
\$ 4,156,247 1,181,904 1,100,186 1,1 2,644,091 1,128,1904 1,118,904 3,1 2,644,091 1,128,1904 1,118,904 3,1 3,641,380,306 \$ 221,744,400 \$ 227,1660,713 6,8 4,705,427 \$ \$ 416,909 \$ 4,4 1,101,346 670,206 600,81 6,8 1,105,766 670,206 600,81 6,8 1,105,766 670,206 600,81 6,8 1,105,766 670,206 670,206 80,8 1,105,766 670,206 1,078,306 1,178	Fotal Bonds and Notes Payable		635,469,114		215,895,870		218,226,041		633,138,943		20,189,924
\$ 4,705,427 \$ 1,307,300 4,110,000 1,1,100,	Other Liabilities:		****		900 900		9 400 400		A 250 A25 A25		0000
\$ 6423623 \$ 221,744,400 \$ 222,086,273 \$ 410,800 \$ 4,386,300 \$ 1,078,400 \$ 1,078,300 \$ 1,07	Vescela compensated adservces Retirement system contribution		4,115,904		3,967,810		4,115,904		3,967,810		3,967,810
\$ 6473822 \$ 6848,590 \$ 222,080,73 \$ 640,713 \$ 641,280 \$ 221,744,600 \$ 222,080,734 \$ 641,280 \$ 223,080,734 \$ 641,280 \$ 223,080,734 \$ 641,280 \$ 223,080,734 \$ 641,280 \$ 223,080,734 \$ 641,280 \$ 223,080,734 \$ 641,280 \$ 223,080 \$ 22	Other post employment benefits		2,044,091		828,872		284,623		2,588,340		٠
\$ 4,736,277 \$ \$ 419,690 \$ 641,755,444,000 \$ 522,166,754 \$ 641,755,757 \$ \$ 419,690 \$ 4,455,757 \$ \$ 419,690 \$ 4,455,757 \$ \$ 10,201,289 \$ 4,455,757 \$ \$ 10,201,289 \$ 4,457,254 \$ \$ 10,201,289 \$ 4,457,254 \$ \$ 10,201,289 \$ 4,457,254 \$ \$ 10,201,289 \$ 4,457,254 \$ \$ 10,201,289 \$ 4,457,254 \$ \$ 10,201,289 \$ 4,457,254 \$ \$ 10,201,289 \$ 4,457,254 \$ \$ 10,201,289 \$ 4,457,244 \$ \$ 10,201,289 \$ 4,457,244 \$ \$ 10,201,289 \$ 4,457,244 \$ \$ 10,201,289 \$ 4,457,244 \$ \$ 10,201,289 \$ 4,457,244 \$ \$ 10,201,289 \$ 4,457,244 \$ \$ 10,201,289 \$ 4,457,244 \$ \$ 10,201,289 \$ 4,457,244 \$ \$ 10,201,289 \$ 1,457,244 \$ \$ 10,201,289 \$ 1,457,244 \$ \$ 10,201,289 \$ 1,457,244 \$ \$ 10,201,289 \$ 1,457,244 \$ \$ 10,201,289 \$ 1,457,244 \$ \$ 10,201,289 \$ 1,457,244 \$ \$ 10,201,289 \$ 1,457,244 \$ \$ 10,201,289 \$ 1,457,244 \$ \$ 10,201,289 \$ \$ 10,20	Coart Other Liabilities	1	7,899,252		5,848,590	i.	5,460,713	l	8,287,129	1	4,877,493
\$ 4,75,427 \$ \$ 419,699 \$ 4,4 6,4 6,4 6,4 6,4 6,4 6,4 6,4 6,4 6,4	Total Business-Type Activities		643,368,368		221,744,460	10	223,686,754		641,426,072		25.067,417
\$ 4,765,427 \$ . \$ 419,686 \$ 4,5	COMPONENT UNITS: Bonds and Notes Payable:										
8,005,445 \$10,000 \$00,001 \$0,000,000 \$0,000,000 \$0,000,000 \$0,000,00	Waterside Associates	60	4,705,427	49	9	10	419,898	69	4,285,529	wh	372,342
1,013,946   470,200   600,891   8,1	Other Liabilities: Vested Compensated Absences										
8,005,446 8,316,213 4,072,356 11,175,765 1980,046 966,664 11,175,765 190,000 11,077,855 190,000 11,177,356 190,140 2,255,140 17,177,356 190,140 2,255,140 17,177,356 190,140 17,177,356	Community Services Board		1,013,945		470,206		10 501 280		8 067 084		617,649
0.005,449   0.316,213   4,072,359   11,1	Other post employment benefits										
sea Board 1,705,765 (96),046 956,64 11, 000.00 11, 000.	Norfolk Public Schools Pension Liability:		8,065,445		8,318,213		4,672,358		11,711,300		4
2,553,901 1,127,355 150,000 1,1 1,127,355 150,302 2,1 1,1 1,1 1,1 1,1 1,1 1,1 1,1 1,1 1,	Community Services Board Pollution Remediation:		1,705,765		990'999		956,664		1,415,147		1,415,147
2.553,901 1,127,365 853,140 2,152,20	Norfolk Public Schools		130,000		1,078,555		130,000		1,078,555		1,078,555
10 54 53.22 63.325 10 654 63.322	Norfolk Public Schools		2,553,901		1,127,365		953,140		2,728,126		219,597
3 minutes 2 minu	Norfolk Public Schools	ļ	56,218	- [	76,654	-	93,322	-1	39,550	-1	29,670
\$ 27,458,579 \$ 21,978,435 \$ 18,333,652 \$	Component Units long-term obligations	40	27,458,579	**	21,978,435	**	18,333,652	**	31,103,362	**	10,459,148

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#### IX. Pension Plans

The City and its component units participate in three defined benefit pension retirement plans. These include the Employees' Retirement System (ERS) of the City of Norfolk (U.X.A); a Virginia Retirement System (VRS) plan administered by the Commonwealth of Virginia for the benefit of Norfolk School Board employees (IX.B); and a VRS plan for the benefit of state employees in constitutional offices (IX.C). In addition, the School Board and Community Services Board have defined contribution plans.

# A. Employees' Retirement System of the City of Norfolk (System):

#### Plan Description

The Employees' Retirement System of the City of Norfolk (System) is the administrator of a single-employer contributory, defined benefit plan (the Plan) that covers substantially all employees of the City, excluding School Board and Constitutional Officers' employees who are covered by the Viginia Retirement System. The System provides retirement benefits as well as death and disability benefits. All benefits vest after 5 years of creditable service. Cost-of-living adjustments (\*COLAs\*) are provided at the discretion of the City Council. The System and its benefits are established by Section 37 of the Code of the City of Norfolk. Viginia as amended. All employees hired on or after October 5, 2010 contribute 5% of compensation to the benefit plan with the exception of Norfolk Community Services Board employees at June 30, 2012 who will become City employees on July 1, 2012. The ERS is included as a Pension Trust fund in the City's financial statements and also issues a separate publicly available financial report that includes financial statements and required supplementary information for the ERS. That report may be obtained by writing to Employees' Retirement System of the City of Norfolk, City Hall Building, 810 Union Street, Suite 309, Norfolk, VA 23510.

#### **Funding Policy**

Section 37 of the Code of the City of Norfolk, Virginia, established the authority under which the City's obligation to contribute to the Plan is determined. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. The contribution requirement of \$41,466,456 for the fiscal year ended June 30, 2012 was based on 25.3% of covered payroll for general employees and for public safety employees. This contribution requirement is recorded in the City's Statement of Net Assets as a liability payable to the Pension Trust fund and will be made in fiscal year 2013.

#### **Annual Pension Cost**

For 2012, the System's annual pension cost was equal to the City's required and actual (to be made in fiscal year 2013) contribution. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age mormal method. The amortization method used is level dollar open except for the public safety retirement enhancement program which is amortized over a closed 20-

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

year period commencing July 1, 2005 and the Voluntary Retirement Incentive Program which is amortized over a closed 20-year period commencing July 1, 2012. Significant actuarial assumptions included: (a) 7.0% investment rate of return (net of administrative expenses), (b) projected average salary increases of 5.64% for general employees and 6.68% for public safety employees and (c) an assumed inflation rate of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The remaining amortization period at June 30, 2012 was 13 years.

### Three-Year Trend Information

Net Pension Obligation		ā	¥
Net I	69	69	69
Percentage of APC Contributed	100%	100%	100%
Annual Pension Cost	\$ 41,466,456	\$ 42,828,229	\$ 35,515,472
Fiscal Year Ended		-72	92

### Funding Status and Funding Progress

The schedule of funding progress which presents multi-year trend information about the actuarial value of the Plan assets and the actuarial accrued liability for pension benefits is as follows:

### CITY - EMPLOYEES' RETIREMENT SYSTEM

Date	Assets	(AAL)	Liability (UAAL)	Ratio	Payroll	Payrol
30-Jun-12	\$923,200,000	\$1,144,400,000	\$221,200,000	80.7%	\$167,600,000	132.0%

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the Plan's funded status and funding progress are included as required supplementary information following these notes to the financial

### School Board - Retirement Plan

### Plan Description – Virginia Retirement System (VRS)

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both a multiple-employer (for non-professionals) and a cost-sharing multiple-employer (for non-professionals) and a cost-sharing multiple-employer (for professionals) defined benefit pension plan for the School Board for the School Board must participate in the VRS. Benefits vest after that date participate in Plan 2. Plan 1 amployees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at 50 with 30 years of service for participating employers payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Plan 2 employees are eligible for an unreduced retirement benefit after reaching Social Security normal retirement age with 5 years of service. Benefit after reaching Social Security normal retirement ago with 5 years of service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for anunal cost-of-living adjustments (COLA) beginning in their second year of retirement. The CDLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provision to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <a href="https://www.varetire.org/">https://www.varetire.org/</a> or obtained by writing VRS at P.O. Box 2500, Richmond, VA 23218-2500.

#### **Funding Policy**

Title 51.1 of the Code of Virginia (1950) requires plan members, as amended, to contribute 5% of their annual reported compensation to the VRS. The School Board has assumed the 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's professional and non-professional employees' contribution rates for the fiscal year ended June 30, 2012 were 6.33% and 7.62% of annual covered payroll (not including assumed 5%). The School Board's contributions to the VRS for the fiscal year ended June 30, 2012, 2011, and 2010 for professional employees were \$22,597,524, \$18,557,452, and \$24,885,520, respectively, such amounts comprising 100% of the required statutory contributions for each of the three years.

## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

### Annual Pension Cost – Agent Multiple-Employer Plan

For 2012, the School Board's annual pension costs of \$1,886,524 for nonprofessional employees were equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) 7.0% investment rate of return (not of administrative expenses), (b) projected salary increases of 3.5% to 5.6% and (c) 2.5% per year cost-of-living adjustments for Plan 1 members and 2.25% cost-of-living adjustments for Plan 2 members. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The amortization method is level percentage of projected payroll on an open basis and the remaining amortization period is 30 years.

Trend information for the School Board's agent multiple-employer plan for nonprofessional employees is as follows:

Net Pension Obligation	93	65	
Net	w	w	w
Percentage of APC Contributed			100%
Annual ension Cost	1,866,524	1,932,102	1,937,143
- P	69	₩.	8
Fiscal Year Ended	June 30, 2012	June 30, 2011	June 30, 2010
- 0			

### Funding Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the Plan was 77.53% funded. The actuarial accrued liability for benefits was \$81,830,629, and the actuarial value of assets was \$63,440,533 resulting in an unfunded actuarial accrued liability (UAAL) of \$18,390,096. The covered payroll (annual payroll of active employees covered by the plan) was \$15,357,257 and the ratio of the UAAL to the covered payroll was 119,75%. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the Plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

The schedule of funding progress which presents multi-year trend information about the actuarial value of the Pension plan assets and the actuarial accrued liability for Pension benefits is as follows:

# SCHOOL BOARD COMPONENT UNIT - VRS NON-PROFESSIONAL EMPLOYEES

			Onfunded			UAAL
		Actuarial	(Overfunded)			as a
Actuarial	Actuarial	Accrued	Actuarial			% of
Valuation	Value of	Liability	Accrued	Funded	Covered	Covered
Date	Assets	(AAL)	Liability (UAAL)	Ratio	Payroll	Payroll
30-Jun-11	\$63,440,533	\$81,830,629	\$18,390,096	77.5%	\$15,357,257	119.8%

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the Plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

## C. State Employees – Virginia Retirement System (VRS)

#### Plan Description

The City of Norfolk contributes to the Virginia Retirement System (VRS), an agent, which administers a multiple-employer defined benefit pension plan for the City of Norfolk. All full-time, salaried permanent state employees in the City's five constitutional offices must participate in the VRS. These offices include: Commissioner of the Revenue, City Treasurer, Circuit Courts, Commowealth's Attorney, and Sheriff and Jail. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service for participating law enforcement officers and firefighters) and age 50 with 30 years of service for participating law enforcement officers and firefighters) and service for participating law enforcement officers and firefighters) and service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 17% of their average final salary (AFS) for each year of credited service. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers may receive a monthly benefit supplement if they retire prior to dage 65. The VRS also provides death and disability benefits. Tile 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at http://www.varetire.org/ or obtained by writing to VRS at P.O. Box 2500, Richmond, VA 23216-2500.

## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

#### Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the City. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using an actuarial basis specified by the Code of Virginia and approved by the VRS Board of Turstees. The City's contribution rate (including the assumed 5%) for the fiscal year ended June 30, 2011 was 13,70% of annual covered payroll.

#### **Annual Pension Cost**

For 2012, the City's annual pension cost of \$3,212,447 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The amoritization method is level percent open. These rates are effective from July 1, 2010 through June 30, 2012. The actuarial assumptions included: (a) 7% investment rate of return; (b) projected safary increases that range between 3.75% to 5.6% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.5%. The actuarial value of the City's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The remaining amortization period is 30 years.

Trend information for the City VRS plan is as follows:

Net Pension Obligation	ŧ	ŧ	
Net	s	69	S
Percentage of APC Contributed	100%	100%	100%
Annual Pension Cost	\$ 3,212,447	\$ 3,289,129	\$ 3,371,413
Fiscal Year Ended P	11		

### Funding Status and Funding Progress

The schedule of funding progress which presents multi-year trend information about the actuarial value of the Pension plan assets and the actuarial accrued liability for Pension benefits is as follows:

#### CITY - VRS EMPLOYEES

3	9.9	of	ered	Payroll	4%
5	ä		~		
			Covered	Payroll	\$24,538,681
			Funded	Ratio	80.9%
papilinillo	(Overfunded)	Actuarial	Accrued	Liability (UAAL)	\$13,639,576
	Actuarial	Accrued	Liability	(AAL)	\$71,530,754
		Actuarial	Value of	Assets	\$57,891,181
		Actuarial	Valuation	Date	30-Jun-11

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

### **Deferred Compensation Plan**

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The City offers its employees a deferred compensation plan created in accordance with internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferral may be up to 25% of gross income up to a maximum of \$17,000 per year. The benefits from the deferred compensation plan are not available to employees until termination, retirement, death or unforeseeable emergency.

The laws governing the City's deferred compensation plan have been complied with pursuant to the provisions of IRC Section 457. Accordingly, all assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

### Other Post-employment Benefits (OPEB)

#### Plan Description

The City of Norfolk and the Norfolk School Board provide post-retirement health care benefits, in accordance with adopted statutes, which require extending access to heatthcare benefits to certain retirees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. City firefighters and police officers, who have a mandatory retirement age of 62, are eligible to participate at the earlier of age 50 and 15 years of creditable service or 20 years of creditable service. Employees who retire on accidental disability are also eligible. Grandfathered school employees (hired prior to July 1, 2008) who are older than age 50 with 15 years of creditable service. Retirees that elect to participate may purchase health care coverage using the same health care plans and premium structures available to active employees. Retiree participation, plan/benefit elections and contributions, are administered by the City's Retirement Bureau and the City's and the Schools' benefits offices based on the

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

participation guidelines established by Norfolk City Council and Norfolk School Board. Benefits are currently managed on a pay-as-you-go basis rather than use of an irrevocable trust and a separate financial report of the OPEB Plan is not issued. The Plan is considered a single-employer plan.

#### **Funding Policy**

No employee contributions are required prior to retirement to participate in or fund the OPEB Plan. Currently, the City and Schools pay a set amount towards the monthly premium for participating retirees. This set contribution amount is an explicit subsidy of \$25 per month for the City and \$75 per month for the Schools per participating retiree. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The Plan sponsors also pay an implicit subsidy by allowing retirees to participate in the same benefit plans under the same premium structure as available to active employees, however, the Plan sponsors are not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to employees.

The annual required contribution was determined as part of the July 1, 2011 actuarial valuation using the entry age normal actuarial cost method. The amortization method is level percent open. The actuarial assumptions included: (a) 4% investment rate of return and (b) projected salary increases of 3.5% per year. Both (a) and (b) include a medical inflation component of 9.35% (pre-Medicare grading to 4.5% over 14 years. The actuarial value of the City's assets is equal to the market value of assets. The remaining amortization period is a rolling 30 years.

### Annual OPEB Cost and Net OPEB Obligation

The City's and School's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 43 and 45. Under this Statement, governments report on an accual basis, benefit costs related to the period in which benefits are earned rather than to the period of benefit distribution. The annual required contribution represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Trend information for the City's and School's annual OPEB cost is as follows (note that amounts may vary from prior years due to change in expected contributions and actual contributions):

Ended	9	Annual OPEB Cost	Annual OPEB Cost Contributed	- "	Net OPEB Obligation
City Employees and Retirees	d Re	tirees			
June 30, 2012	ь	8,066,866	40%	69	25,458,97
June 30, 2011	69	7,990,415	37%	S	20,162,14
June 30, 2010	69	9,703,141	22%	69	14,160,022
School Employees and Retirees	and	Retirees			
June 30, 2012	s	5,806,648	80%	69	11,711,301
June 30, 2011	49	6,001,485	35%	s	8,065,446
June 30, 2010	v	5.806.648	51%	45	3 946 940

The actuarial liabilities of the Plans as of July 1, 2011 are shown below:

	City	Schools	Total
Actuarial liability:			
Active employees	\$36,380,981	\$36,380,981 \$53,300,799	\$89,681,780
Retirees	\$22,114,202	24,255,393	\$46,369,595
Total actuarial liability	\$58,495,183	\$77,556,192	\$136,051,375
Less: plan assets		•	•
Unfunded actuarial accrued liability (UAAL)	\$58,495,183	\$58,495,183 \$77,556,192	\$136,051,375

The following table shows the components of the City's and School's annual OPEB costs, the amounts contributed to the Plans and the changes in the net OPEB obligations:

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

Total

Schools

City

Net OPEB obligation as of June 30, 2010	\$14,160,022	\$3,946,940	\$18,106,962
Annual required contribution (ARC) for FY2011	\$7,945,924	\$5,982,413	\$13,928,337
Interest on net OPEB obligation	623,000	267,064	\$890,064
Adjustment to ARC	(578,519)	(247,992)	(826,511)
Annual OPEB cost	\$7,990,405	\$6,001,485	\$13,991,890
Plus: adjustment to FY2010 contributions	1,415,222	2,729,659	4,144,881
Less: expected contributions made	(3,403,508)	(4,612,638)	(8,016,146)
Increase in net OPEB obligation	\$6,002,119	\$4,118,506	\$10,120,625
Net OPEB obligation as of June 30, 2011	\$20,162,141	\$8,065,446	\$28,227,587
Annual required contribution (ARC) for FY2011	\$8,007,917	\$5,776,435	\$13,784,352
Interest on net OPEB obligation	825,737	423,080	1,248,817
Adjustment to ARC	(766,769)	(392,867)	(1,159,636)
Annual OPEB cost	\$8,066,885	\$5,806,648	\$13,873,533
Plus: adjustment to FY2011 contributions	481,278	2,511,565	2,992,843
Less: expected contributions made	(3,251,333)	(4,672,358)	(7,923,691)
Increase in net OPEB obligation	\$5,296,830	\$3,645,855	\$8,942,685
Net OPEB obligation as of June 30, 2012	\$25,458,971	\$25,458,971 \$11,711,301 \$37,170,272	\$37,170,272

### **Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the combined OPEB Plans were unfunded. The combined actuarial accrued liability for benefits was \$136 million and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$136 million. The combined covered payroll of active City and School employees covered by the plan was \$342 million, and the ratio of the UAAL to the covered payroll was 39.7%. Additional details on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. The schedule of funding progress which presents multi-year trend information about the actuarial value of the OPEB plan assets and the actuarial accrued liability for OPEB benefits is as follows:

as a % of Covered Payroll	34.2%	45.2%
Covered Payroll	170,921,920	171,691,191
	S	69
Funded	0.0%	0.0%
Unfunded (Overfunded) Actuarial Accrued	58,495,183	77,556,192
	40	69
Actuarial Accrued Liability (AAL)	58,495,183	EES 77,556,192
	REES	S S
Actuarial Value of Assets	· ·	AND .
Actu Valu	ES ANI	OYEES \$
Actuarial Valuation <u>Date</u>	SITY EMPLOYEES AND RETIREES	SCHOOL EMPLOYEES AND RETIREES July 1, 2011 \$ - \$

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation was performed as of July 1, 2011 with results projected for the fiscal year ended June 30, 2012. The entry age normal actuarial cost method was used with a level percent open amortization method over 30 years. A discount rate of 4% was used. Annual rates of health care inflation used were 9,35% (pre-Medicare) grading to 4,5% over 14 years and the annual rate of salary increases used was 3,5%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Actuarial valuations are subjected to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

### XII. Interfund Receivable and Payable Balances

The composition of interfund activity as of June 30, 2012 is as follows:

Receivable Fund	Pavable Fund	Amount	innt
General fund	Capital Projects fund	8	7,948,191
	Community Development fund		52.368
	Internal Service funds		184 288
	Wester Hilly find		1 463 556
	Total General fund	s	9,638,381
		,	
Capital Projects fund	Wastewater Utility fund	^	179
	Water Utility fund		34,475
	Stormwater fund		1,500,000
	Total Capital Projects fund	S	1,535,296
Non-major governmental funds	General fund	69	34,375
	Capital Projects fund		3.422.912
	Stormwater fund		92,672
	Total Non-major governmental funds	s	3.549.959
	Total Governmental funds	s.	14,723,636
Payable Fund	Receivable Fund		
General fund	Grants fund	69	34,375
	Internal Service funds	8	849,859
	Total General fund	w	884,234
Capital Projects fund	General fund	69	7,948,191
	Stormwater fund		434,372
	Grants fund		1,749,169
	EOC/911 fund		27,377
	Internal Service funds		46,024
	Public Amenities fund		1,070,980
	Cemeteries fund		58,417
	Golf fund		10,689
	Towing and Recovery fund	56	71,908
	Total Capital Projects fund	S	11,417,127
Nonmajor governmental funds	General fund	S	52,368
	Capital Projects fund		1,500,000
	Towing and Recovery fund		92,672
	Total Nonmajor governmental funds	s	1,645,040
	Total Governmental funds	w	13,946,401
Payable Fund	Receivable Fund		
Water Utility fund	General fund	^	1,453,555
	Capital Projects fund		34,475
	Total Water Utility fund	69	1,488,031
Wastewater Utility fund	Capital Projects fund	s	821
	Total Wastewater Utility fund	S	821
	Total Enterprise funds	49	1,488,852

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Receivable Fund	Payable Fund		
Internal Service funds	General fund	s	849,859
	Capital Projects fund	(1)	46,024
	Total Internal Service funds	es	895,883
Payable Fund	Receivable Fund		
Internal Service funds	General fund	w	184,266
	Total Internal Service funds	69	184,266

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursement occurs, (2) transactions are recorded in the accounting system and (3) payment between funds are made.

### XIII. Interfund Transfers

The following interfund transfers occurred during fiscal year 2012:

General fund	s	12,289,939	S	88,020,221
Capital Projects fund		5,732,038		684,705
Debt Service fund		83,494,197		٠
Nonmajor governmental				
funds		5,620,012		9,194,141
nternal service funds:				
Fleet Management fund		849,859		٠
Enterprise:				
Water Utility fund		**		8,500,000
Wastewater Utility fund		274		1,500,000
Parking Facilities fund		6		86,978

The purpose of the transfer balances are as follows:

General fund transfers in of \$12,289,339 include \$8,500,000 from the Water Utility fund and \$1,500,000 from the Wastewater Utility fund which represent a return on investment back to the General fund, \$2,202,961 from the Tax Increment special revenue fund which represents interest earned on investments and declaration of surplus real property taxes and \$86,978 from the Parking Facilities fund to cover parking costs of cruise customers at the Maritime Facility.

The General fund transfers out of \$88,020,221 represent a transfer of \$79,872,097 to the Debt Service fund to fund general obligation debt; \$2,034,666 to the Capital Projects fund as a contribution for the annual capital improvement plan budget; \$849,859 to the

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

Fleet Management fund in support of the facility operations, \$4,272,111 to the Grants special revenue fund in support of grant projects; \$317,114 to the Cemeteries special revenue fund, \$424,374 to the Emergency Operations Center/E-911 special revenue fund and \$250,000 to the Golf special revenue fund for operational support of these

Debt service transfers in of \$83,494,197 include \$2,758,289 from the Storm Water special revenue fund, \$194,750 from the Public Amerilies special revenue fund, \$35,189 from the Towing and Recovery special revenue fund, \$633,872 from the Capital Projects fund for the Southern Bank notes payable and \$79,872,097 from the General fund to fund the current fiscal year's debt service payments.

The Storm Water special revenue fund transferred \$2,758,289 to the Debt Service fund to cover its general obligation debt service cost, \$1,500,000 to the Capital Project Fund to support the fund's capital related projects.

The Capital Projects fund transferred \$50,833 to the Grants special revenue fund in support of grant projects and \$633,872 to the Debt service fund to cover debt service cost for the Southern Bank notes payable.

The Public Amenities special revenue fund transferred \$1,000,000 to the Capital Projects fund in support of the fund's capital related projects, and \$194,750 to cover its general obligation debt service cost.

The CD fund transferred \$1,197,372 to the Capital Project fund to support the fund's capital related projects supported by the Community development block grant.

The Towing Recovery Operation special revenue fund transferred \$35,189 to the Debt Service fund to cover its general obligation debt service cost.

The Nonexpendable special revenue fund transferred \$305,580 to the Cemeteries fund in support of the city's cemeteries.

The Tax Increment special revenue fund transferred \$2,202,961 to the General fund which represents declaration of surplus real property taxes.

The Water Utility and Wastewater Utility funds transferred \$8,500,000 and \$1,500,000, respectively, to the General fund as a return on investment, respectively. The Parking Facilities fund transferred \$86,978 to the General fund to cover parking costs of cruise customers at Maritime Facility.

## XIV. Fund Balance by Functional Category (GASB 54)

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in five components as follows:

	General	Projects	Governmental	Governmental
FUND BALANCES				
Nonspendable				
- Prepaids		,	\$ 23,091	\$ 23,091
Restricted				٠
- General government	330,000	41,995,404		42,325,404
<ul> <li>Judicial administration</li> </ul>	,		791,719	791,719
- Public safety	*	83,294	227,642	310,936
- Public works	Ŷ	21,700,723	78,451	21,779,174
- Health and public assistance	¥		532,618	532,618
- Culture and recreation	v	10,672,735	6,320,665	16,993,400
- Community development	ë	1,960,496	1,523,184	3,483,680
- Education	ř	3,015,397		3,015,397
- Other purposes	20	15,624,931		15,624,931
Committed				
- General government	ř	5,496	P	5,496
- Public works	P	8	3,184,988	3,184,988
- Health and public assistance		1.60	1.	
- Culture and recreation		521,617	60,872	582,489
- General services	3,000,000	٠		3,000,000
- Other purposes capital		13,849,289	25	13,849,289
Assigned				
- General government	4,665,150	618,601	270,079	5,553,830
<ul> <li>Judicial administration</li> </ul>	796,691		716,138	1,512,829
- Public safety	296,225	12	142,955	439,180
- Public works	2,606,066	2,084,450	752,846	5,443,362
<ul> <li>Health and public assistance</li> </ul>	676,096	57 (P)	1,097,076	1,773,172
- Culture and recreation	1,154,227	40,739,623	10,483,525	52,377,375
- Community development	3,530,648	4,753,444	7,095	8,291,187
- General services	1,584,501		٠	1,584,501
- Education		8,413,352	99,216	8,512,568
- Debt Service	257,638	**	ï	257,638
- Other purposes (FY-12 Budget appropriation)	19,271,473	(41,264,408)	¥	(21,992,935)
Unassigned	54,338,476	*	- 17	54,338,476
Total fund balances	\$ 92,507,191	\$ 124,774,444	\$ 26,312,160	\$ 243,593,795

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

#### XV. Recovered Costs

Recovered costs consist of revenues recovered from expenses associated with employee costs, debt service, administrative costs, outside agencies and the public.

Recovered cost in the General fund:		
Debt service recoveries	69	\$ 2,194,171
Retirement System		411,971
Information Systems recoveries		1,717,531
Other		2,961,797
Administrative cost recoveries from Enterprise funds		3,026,520
Total recovered costs in the General fund	69	10,311,990

#### XVI. Other Liabilities

Other liabilities, as presented in the Fund Financial Statements, consist of the following:

General fund - miscellaneous   \$ 1,628,199     General fund - accrued expenditures   2,269,348     Nonmajor funds - miscellaneous   \$ 4,039,299     Internal Service Funds:   \$ 4,085     Enterprise Funds:   \$ 4,085     Enterprise Funds:   \$ 211,312     Wastewaler Utility fund - miscellaneous   \$ 27,500     Parking Facilities fund - miscellaneous   \$ 401,141     Fiduciary Funds:   \$ 3,938,083     Commonwealth of Virginia   \$ 3,955,792     Commonwealth of Virginia   \$ 3,955,792     Commonwealth of Service   \$ 3,955,792     Common	Governmental Funds:		
sypenditures shaneous s s slaneous s smiscellaneous s s sia sia sia sia sypenditures s s sia sia sypenditures s s s sia sia sypenditures sypenditures s s s sia sia sypenditures sypenditur	General fund - miscellaneous	S	1,628,199
laneous \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	General fund - accrued expenditures		2,269,348
s - miscellaneous s s s s s s s s s s s s s s s s s s	Nonmajor funds - miscellaneous		141,752
- miscellaneous \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$		S	4,039,299
t fund - miscellaneous \$  miscellaneous \$  fund - miscellaneous \$  Virginia \$  S	Internal Service Funds:		
miscellaneous \$ fund - miscellaneous \$ und - miscellaneous \$  Virginia \$ \$	Fleet Management fund - miscellaneous	S	4,085
miscellaneous \$ fund - miscellaneous \$  Virginia \$  S		S	4,085
- miscellaneous \$ fund - miscellaneous \$ fund - miscellaneous \$ d d fVriginia \$ \$	Enterprise Funds:		
fund - miscellaneous \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Water Utility fund - miscellaneous	S	211,312
fund - miscellaneous \$ \$ classed of the classed of	Wastewater Utility fund - miscellaneous		27,500
d di Virginia	Parking Facilities fund - miscellaneous	5	162,329
d f Virginia		S	401,141
Virginia \$	Fiduciary Funds:		
S	Other Agency fund	S	3,938,083
\$ 3,955,792	Commonwealth of Virginia		17,709
		S	3,955,792

### XVII. Supplemental Appropriations

There were no supplemental appropriations made to the general fund operating budget during fiscal year 2012.

#### XVIII. Deferred Revenue

Deferred revenue, as represented in the fund financial statements at June 30, 2012, totals \$29,014,389 and is comprised of the following:

### A. Non-major Governmental Funds

In the special revenue funds, deferred revenue totaled \$1,097,983. In the Community Development fund, the deferred revenue represents deferred payment rehabilitation loans of \$55,085 as of June 30, 2012. Deferred revenue in the Storm Water special revenue fund of \$542,898 represents deferred billings that have been earned but are not available for funding current expenditures at June 30, 2012.

### B. Deferred Property Tax Revenue

Deferred revenue in the General Fund, representing uncollected tax billings not available for funding of current expenditures as of June 30, 2012 is \$27,916,406.

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

### XIX. Commitments and Contingencies

#### A. Capital Projects

Commitments for completion of capital projects in the Business-Type Activities, authorized at June 30, 2012, are as follows:

Water Utility development projects	\$16,617,410
Wastewater Utility development projects	13,377,185
Parking Facilities development projects	1,623,290
Fotal	\$31,617,885

See Exhibit J-3 Capital Projects Fund Schedule of Expenditures for listing of projects capital projects in the Governmental Activities, authorized at June 30, 2012.

The starter light rail system in Norfolk began operations on August 19, 2011. The approximately \$318.3 million system was funded through a combination of federal, state and local sources and is operated by the Hampton Roads Transit. At June 30, 2012, approximately \$4.5 million in anticipated expenditures remains of the \$318.3 million. At June 30, 2017, the City had available authorization from City Council to cover these remaining expenditures.

#### B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City was a guarantor for \$5,552,460 of VRA debt for the Southeastern Public Service Authority (SPSA) as of June 30, 2012. See Note XXIII for more information on this guarantee and the SPSA joint venture.

#### C. Litigation

From time to time the City and its component units are defendants in a number of lawsuits. Although it is not possible to determine the final outcome on these matters, management and the City attorney are of the opinion that the liability will not be material and will not have a significant effect on the City's financial condition.

### D. Pollution Remediation Obligation

GASB Statement 49, Accounting and Financial Reporting or Pollution Remediation Obligations, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers

- Pollution poses an imminent danger to the public or environment and the government has little or no discretion to avoid fixing the problem;
  - A government has violated a pollution prevention related permit or license:
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean up;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; and
  - A government begins or legally obligates itself to begin cleanup or postcleanup activities (limited to amounts the government is legally required

During the fiscal year the City recognized the following liabilities for pollution remediation obligations: \$134,696 associated with the cleanup of the Battleship Wisconsin, in order to open it to the public for tours, \$86,000 associated with extensive removation on the Seaboard Building. The amount of the obligation is based on the contractor's experience in similar instances, taking into account sampling at the site, and applying usual and customary cost code rates. The potential for a change to the estimate is minimal.

During the fiscal year the School Board recognized a liability for \$1,078,555 for pollution remediation obligations associated with asbestos, removal of paint, and clean-up of drainage of oil and aerosol can/drum removal from Transportation, Risk Management and School Facilities.

#### E. Encumbrances

Encumbrances as of June 30, 2012 in the General Fund and Capital Projects fund totaled \$9,045,942 and \$137,841,141 respectively. Encumbrances as of June 30, 2012 for nonmajor governmental funds in the aggregate totaled \$21,616,300.

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

### F. Lambert's Point Landfill

On October 19, 2011, the City determined that a portion of the shoreline adjacent to the former Lambert's Point landfill was eroding likely due to tidal forces associated with the August 2011 hurricane. The landfill ceased receiving materials in 1980 and was closed in accordance with environmental and health regulatory requirements in effect at that time. In 2005, a golf course was built on the landfill. The City implemented a short-term solution and worked with the Virginia Department of Environmental Quality (DEQ) and other federal and state regulatory agencies on the development of a long-term solution for stabilization of the shoreline. On October 29, 2012, the City issued a Notice to Proceed for stabilization of the Lamberts Point Bandfill shoreline. Design and construction cost is approximately \$1,600,000. Completion of the project is anticipated in summer 2013.

### XX. Surety Bonds and Insurance

Amount	\$ 3,000 1,500,000 30,000 2,235,000 \$ 3,768,000	\$ 500,000	\$10,000,000
Official	Sharon McDonald, Commissioner of the Revenue Thomas W. Moss, Jr., City Treasurer Robert J. McCabe, Sheriff George E. Schaefer, III Clerk of the Circuit Court Total Commonwealth of Virginia	All employees of the City Treasurer, Sheriff, Commissioner of the Revenue, Commonwealth's Attorney and Clerk of the Circuit Court Performance of Duty Bond	Travelers Insurance Co. All City employees
Surety	Commonwealth of Virginia	Commonwealth of Virginia	City of Norfolk

### XXI. Self and Purchased Insurance Programs

The City is exposed to various risks of losses related to torts; theff and destruction of assets, errors and omissions, injuries to employees, and natural disasters. On July 11, 1978, the City established a protected self-insurance program fund, pursuant to an ordinance adopted by City Council, to cover these risks. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self- insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2012 was \$6,660,414.

The City currently reports all these activities as part of the risk management function in the general government section of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. For actuarial purposes, estimated outstanding losses are the accrual cost of unpaid claims valued as of each accounting date. The estimated outstanding losses include case reserves, the development on known claims and incurred but not reported (IBNR) claims. Allocated loss adjustment expenses (ALAE) are the direct claims and incurred but not reported (IBNR) claims. Allocated loss adjustment expenses (ALAE) are the direct

#### NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012 CITY OF NORFOLK, VIRGINIA

expenses for settling specific claims. ALAE is included in the workers' compensation estimates, but excluded in the liability estimates. At June 30, 2012, these liabilities were estimated at \$31,400,391 with \$3,649,622 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal year 2012 were determined by an independent actuary.

Changes in the City's claims liability amount in the fiscal years 2011 through 2012 are as

	Estimated	Outstanding	Losses End of	Fiscal Year	\$ 31,673,082	\$ 31,400,391
				Slaims Paid	4,225,302	4,676,586
				$\overline{O}$	မာ	69
Additional	Incurred	aims and/or	hanges in	∃stimate	5,628,197	4,403,895
4		8	O	_	69	69
Estimated	utstanding	Losses	eginning of	iscal Year	30,270,187	31,673,082
-	0		ã	ш	69	69
					2011	2012

The City in its General Fund has designated \$3,000,000 of fund balance to provide for risks annual budget appropriations. There have not been any significant reductions in insurance coverage, and settled claims have not exceeded coverage in any of the past three fiscal of loss and claims payments that may not be fully covered by purchased insurance or

The Norfolk Public Schools (NPS) also participate in the program and its future expected self-insured losses as of June 30, 2012 projected at \$2,767,676 of which \$253,214 is the current portion and a longer-term projection of \$2,514,462. NPS provides payments for that entity's risks of loss through a combination of purchased insurance policies and selfinsurance plans. These losses are funded through the Public Schools operating budgets and/or the City's fund balance designation. Changes in the School Board's liability amount in the fiscal years 2011 through 2012 are as

ш	Estimated	A.	Additional			1	
ŏ	utstanding	_	ncurred			ш	Estimated
	Losses	Sa	ims and/or			ō	tstanding
Be	Beginning of Changes in Losses End of	ਹ	nanges in			Los	ses End of
Œ	scal Year	ш	stimate	Ö	aims Paid	Ĕ	scal Year
49	2,434,397	69	1,305,450	69	1,129,728	69	2,610,119
•	4. 4. 4	•	0.00.	•	00,000	•	010 1010

2012 \$ 2,610,119 \$ 1,204,019 \$ 1,046,462 \$ 2,767,676

#### NOTES TO THE BASIC FINANCIAL STATEMENTS CITY OF NORFOLK, VIRGINIA For the Year Ended June 30, 2012

### XXII. Jointly Governed Organizations

### A. Hampton Roads Regional Jail Authority (HRRJA)

the Code of Virginia, as amended, and is governed by a twelve member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with each individual having a single vote. HRRJA is News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of responsible for its own financial matters, maintains its own books of account and HRRJA is a regional organization which includes the cities of Hampton, Newport is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in the HRRJA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2012. Complete financial statements of HRRJA can be obtained from HRRJA.

### Hampton Roads Planning District Commission (the Commission) B

The Commission performs various planning services for the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of A regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Gloucester, Isle of Wight, James City, Southampton and York. Revenue of the from local governmental (member) Commission and the Peninsula Planning District Commission on July 1, 1990. contributions and various state and federal grant programs. Commission is received primarily Chesapeake, Poquoson,

and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2012. Complete financial statements of the Commission The participating governments do not have an equity interest in the Commission can be obtained from the Commission.

### Transportation District Commission of Hampton Roads (TDC) ci

Commission effective October 1, 1999. TDC was established in accordance with Chapter 45 of Title 15.2 of the Code of Virginia. TDC provides public transportation facilities and services within the cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake, Hampton and Suffolk, Virginia. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of TDC Transportation District Commission and the Tidewater Transportation District TDC was formed on June 29, 1999 to effect the merger of the Peninsula

rests with professional management. TDC serves as the governing body for Hampton Roads Transit (HRT) which constructed the City's light rail system.

The participating governments do not have an equity interest in TDC, and accordingly, no equity interest has been reflected in the Citys financial statements at June 30, 2012. Complete financial statements of TDC can be obtained from TDC.

#### XXIII. Joint Venture

### Southeastern Public Service Authority (SPSA)

SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate oreated pursuant to the Virginia Water and Sewer Authorities Act, and is governed by a sixteen-member Board of Directors consisting of eight members appointed by the Governor and eight members appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors with each representative having a single vote. The Authority is responsible for its own independent accountants its own books of account and is audited annually by independent accountants that it engages.

In May 2009, SPSA consolidated its lines of credit into a single line of credit in the amount of \$17,200,000 guaranteed equally by the City of Norfolk and the City of Chesapeake. Outstanding amounts were paid in full in September 2009 and the line of credit was closed effective March 30, 2010, and the guarantee agreement was rescinded.

In June 2010, SPSA entered into a debt repayment plan with the Virginia Resource Authority (VRA) which required that the eight member communities guarantee repayment of the remaining VRA bonds outstanding through a general obligation pledge. The member community guarantee percentages were calculated based on a three year average of proportional municipal tonnages. The member jurisdiction guarantees as of June 30, 2012 were as follows:

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

Member community	Guarantee percentage	Princi	Principal guarantee
Chesapeake	22.49%	69	7,354,230
Franklin	0.97%		317,190
Isle of Wight	3.98%		1,301,460
Norfolk	16.98%		5,552,460
Portsmouth	10.27%		3,358,290
Southampton	2.10%		686,700
Suffolk	12.87%		4,208,490
Virginia Beach	30.34%		9,921,180
	100 00%	65	32 700 000

The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2012. Complete financial statements of the SPSA can be obtained from SPSA.

### XXIV. Related Organizations

# A. Norfolk Redevelopment and Housing Authority (NRHA)

The Norfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. NRHA develops its operating budget without approval from City Council and executes contracts on its own behalf. NRHA is responsible for its own fiscal matters as it maintains its own behalf accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and monies other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

In 1997, the City entered into a supplemental cooperation agreement with NRHA to assist in the financing and construction of the Nordstrom store, in the MacArthur Center regional shopping mall. The construction of the Nordstrom store was financed with a loan partially secured by ground rental and store rental payments. The loan was further secured by a pledge of the City, subject to an appropriation of City Council, to fund any deficits in meeting annual debt service requirements. At the conclusion of a ten-year restriction, this loan was refinanced by the City in January 2008. Prior to the refinancing, primarily due to the financial relationship created by the loan, NRHA was considered to be a component unit of the City.

### B. Norfolk Airport Authority

Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an aliport and to promote industrial growth and consists of both an Airport fund and an Investment fund. The Airport fund was established by the Authority to account for the operations of the Norfolk International Airport (the Airport). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment fund was established by the Authority provide for cartain airport capital improvements. The Authority finances individual capital projects by issuing bonds or obtaining loans and individual capital projects by issuing bonds or obtaining loans and individual grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligations at they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Council but the Commission designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority and equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

# C. The Economic Development Authority of the City of Norfolk (EDA)

The Economic Development Authority, a political subdivision of the Commonwealth of Virginia, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (1950), as amended. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City and further the use of the Commonwealth's agricultural and natural resources. The EDA is empowered by the Commonwealth to authorize industrial development bonds and confer tax-exempt status on interest paid to financial institutions. The EDA acts as an intermediary between financial institutions and borrowers; it has no responsibility for borrowers' debt. Although Commissioners are appointed by City Council, the EDA designates its own management, which is self-sustaining, maintains its own books of account, and receives its revenue from administrative fees charged to borrowers.

### D. The Chrysler Museum, Inc. (the Museum)

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980 by incorporating the Chrysler Museum in Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

independent accountant, and receives its revenue from administrative fees charged to visitors and from other independent grants.

### E. The Hospital Authority of Norfolk (HAN)

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1998. HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

### . The Slover Library Foundation (the Foundation)

The Slover Library Foundation, a not-for-profit organization, was formed on October 31, 2008 to participate in the funding of a new central library for the City. Construction began in early 2012. The new central library will be named the Samuel. L. Slover Library. Two historic downtown structures, the Seaboard Building and the Selden Arcade, will be joined by an architecturally significant structure to create the new technologically advanced library. Funding provided by the Foundation will be used for construction costs as well as purchase and maintenance of technology to be used in the library. The Foundation designates its own management, maintains its own books of account, engages its own independent accountant, and receives its revenue from donations made by third

#### XXV. Subsequent Events

## Parking System Revenue Refunding Bond, Series 2012

On August 15, 2012, the City issued a \$5,845,000 Parking System Revenue Refunding Bond to the Bank of America. N.A. to refinance the previously issued Series 2004A Parking Revenue Bonds. The City converted the existing Series 2004A Bonds to a 7-year variable rate loan. Interest shall be equal to the sum of (i) One Month LIBOR, plus (ii) one and ten hundredthis percent (1.10%), and shall be computed on the basis of a 30/360 day year. Interest is payable in arrears on each February 1, May 1, August 1 and November 1, commencing November 1, 2012. Key legal and payment provisions would remain unchanged.

### Wastewater System Revenue Bond, Series 2012

On December 18, 2012, the City issued a \$12,000,000 Wastewater System Revenue Bond, with the Virginia Resources Authority (VRA). In conjunction with the State Water Control Board, the VRA administers and manages the Virginia Water Facilities Revolving Fund. The Bond was sold at a true interest cost of 0.00%.

### General Obligation Wastewater Bond Rate Reduction

The City has previously utilized the Virginia Water Facilities Revolving Fund, financially administered by the VRA, to issue several series of general obligation and revenue bonds to partially fund the cash-flow needs of the Wastewater Utility Fund Capital Improvement Program. The Program Administrator, the Virginia Department of Environmental Quality (DEQ), agreed to decrease the interest rate of the Series 2003 (Loan Number C-515296-01) and Series 2006 (Loan Number C-515335-02) Loans from the Virginia Water Facilities Revolving Fund. The rate on the Series 2003 Bond decreased from 3.50% per annum to 2.00% per annum beginning on December 18, 2012.

### Community Services Board

Effective July 1, 2012, the CSB became a department of the City. The operations and activity of this department will be accounted for within a special revenue fund.

# XXVI. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements that may impact future financial presentations. Management has not determined what, if any, impact implementation of the following statements will have on the City.

- GASB Statement 60: Accounting and Reporting for Service Concession Arrangements: GASB 60 addresses issues related to accounting for, financial reporting and disclosure requirements of certain service concession arrangements, which are a type of public-private partnership. The provisions of GASB 60 are effective for fiscal years beginning after December 15, 2011.
- GASB Statement 61: The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34. The objectives of GASB 61 are to improve financial reporting for governmental entities. The statement modifies certain requirements for inclusion of component units, by clarifying the manner in which the determination should be made and the type of relationships that should be considered when making that determination. The statement also amends the criteria for reporting blended component units. The provisions of GASB 61 are effective for fiscal years beginning after June 15, 2012.
- GASB Statement 62: Codification of Accounting and Financial Reporting Guidance Contained in Per-November 30, 1989 FASB and AICPA Pronouncements. GASB 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 from the following sources: FASB statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA, so long as it does not conflict with GASB pronouncements. This statement also supersedes Statement No. 20: Accounting and Financial Reporting for Proprietary Funds and

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2012

Other Governmental Entities that Use Proprietary Fund Accounting. The provisions of GASB 62 are effective for fiscal years beginning after December 15, 2011.

- GASB Statement 63: Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. GASB 63 provides financial reporting guidance for deferred outflows and inflows of resources. These terms are defined as the consumption or acquisition of net assets by the government that is applicable to a future reporting period respectively. The provisions of GASB 62 are effective for fiscal years beginning after December 15, 2011.
- GASB Statement No. 65: *Ileans Previously Reported as Assets and Liabilities*. The objective of this Statement is to clarify GASB's conceptual definitions of deferred outflows of resources and deferred inflows of resources elements to a broader range of items to enhance consistency in state and local government financial statements. The statement reclassifies or recognizes certain items currently reported as assets and liabilities as one of four financial statement elements deferred outflows of resources, outflows of resources, deferred inflows of resources or inflows of resources. Before this guidance, many items that appeared to meet the definition of deferred outflows of resources and deferred inflows of resources in Concepts Statement No. 4. *Elements of Financial Statements*, were not specifically identified as such in the GASB's authoritative literature, because the Concepts Statement limits recognition of deferred outflows and deferred inflows to those instances identified in authoritative GASB pronouncement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.
- GASB Statement 66: Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Per-November 30, 1989 FASB and AICPA Pronouncements. This Statement also amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.
- GASB Statement 67: Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25 and No.50. This Statement replaces the requirements of statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and Statement 50 for pension plans that are administered through trusts or imiliar arrangements meeting certain criteria. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. Statement 67 enhances note disclosures and required

supplementary information for both defined benefit and defined contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information. The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

GASB Statement 68: Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No.27. This Statement replaces the requirements of Statement No. 27. Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. Governments providing defined benefit pensions will be required to recognize their long-term obligation for pension benefits as a liability and to recognize more pension expense immediately. The Statement also requires revised and new disclosures, and required supplementary information. It also requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense equal to their proportionate share of the collective for fiscal years beginning after June 15, 2014; however, earlier application is encouraged.

# REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MANAGEMENT'S DISCUSSION & ANALYSIS)

(Unaudited)



# CITY OF NORFOLK, VIRGINIA REQUIRED SUPPLEMENTARY INFORMATION Schedule of Funding Progress for Pension and Other Post-Employment Benefit Plans (unaudited)

CITY - EMPLOYEES' RETIREMENT SYSTEM June 30, 2007 \$ 225,800,000 \$ 107 June 30, 2009 \$ 397,800,000 \$ 102 June 30, 2009 \$ 397,800,000 \$ 102 June 30, 2009 \$ 104,800,000 \$ 104 June 30, 2017 \$ 177,000,000 \$ 104 June 30, 2017 \$ 82,200,000 \$ 10,144 June 30, 2017 \$ 82,200,000 \$ 10,144 June 30, 2006 \$ 37,76,786 \$ 34 June 30, 2006 \$ 41,467,562 \$ 54 June 30, 2006 \$ 41,70,862 \$ 56 June 30, 2010 \$ 54,266,199 \$ 61 June 30, 2010 \$ 57,891,181 \$ 77 SCHOOL BOARD COMPONENT UNIT - VRS June 30, 2010 \$ 57,891,181 \$ 77 June 30, 2000 \$ 61,80,012 \$ 66 June 30, 2000 \$ 65,828,776 \$ 76 June 30, 2000 \$ 65,828,776 \$ 76 June 30, 2001 \$ 64,120,661 \$ 89 June 30, 2001 \$ 64,74,071 \$ 77 June 30, 2010 \$ 64,74,071 \$ 77 June 30, 2010 \$ 64,720,661 \$ 89 June 30, 2011 \$ 63,440,533 \$ 8 June 30, 2010 \$ 57,891,891 \$ 77 June 30, 2010 \$ 64,720,661 \$ 89 June 30, 2011 \$ 63,440,533 \$ 8 June 30, 2010 \$ 8,858,849 June 30, 2011 \$ 8,874,871 June 30, 20	Control   Cont	972.200,000 1,029,600,000 1,029,600,000 1,044,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000 1,144,400,000	222 233 222 222 222 222 222 233 11	2% 29% 11% 77% 17% 19% 19%	\$ 168,100,000 \$ 175,400,000 \$ 175,200,000 \$ 177,000,000 \$ 167,600,000 \$ 23,344,075 \$ 25,997,389 \$ 25,997,389 \$ 25,997,389 \$ 25,997,389 \$ 24,538,681 \$ 24,538,681 \$ 24,538,681 \$ 24,538,681 \$ 25,597,389	27.6% 40.6% 80.2% 130.8% 135.7% 132.0% 4.3% 56.2% 55.6% 33.2%
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012 \$ 822,000 012 \$ 923,200 006 \$ 35,766 007 \$ 41,467 009 \$ 61,776 010 \$ 42,266 010 \$ 64,266 000 \$ 65,642 000 \$ 65,642 010 \$ 64,126 010 \$ 64,126 010 \$ 64,126 010 \$ 65,416 010 \$ 64,126 010 \$ 65,416 010 \$ 65,416 010 \$ 65,416 010 \$ 65,416 010 \$ 65,416 010 \$ 65,416 010 \$ 65,416 010 \$ 65,416 010 \$ 66,616 010	(000 S) (000 S) (000 S) (1786 S) (1895 S) (1895 S) (1896 S) (1997 S) (1017	1,064,000,000 1,144,400,000 36,121,461 40,237,331 52,000,548 89,287,883 67,336,664 71,530,754 71,530,754 60,006,661 66,148,525 72,573,728	\$ 222,000,000 \$ 221,200,000 \$ (1,230,284) \$	2% 72% 17% 17% 17% 17% 17% 17% 17% 17%		135.7% 132.0% 14.9% 18.7% 26.2% 53.4% 55.6%
112 \$ 923,200  EMPLOYEES  0005 \$ 31,575  0009 \$ 41,154  0009 \$ 41,154  000 \$ 51,470  000 \$ 51,470  000 \$ 51,470  000 \$ 51,470  000 \$ 51,470  000 \$ 51,470  000 \$ 51,470  000 \$ 51,470  000 \$ 51,470  000 \$ 50,470  010 \$ 64,120  011 \$ 63,440  0	,000 s (000 s (0	1,144,400,000 36,121,461 40,237,331 52,000,548 65,287,883 67,356,64 71,330,74 VRS NON-PRO 60,006,661 66,118,525 72,573,728	\$ 221,200,000 \$ 334,675 \$ (1230,264) \$ 4,845,922 \$ 13,100,463 \$ 13,639,573 \$ 47,2388 \$ 47,2388 \$ 47,2388 \$ 47,2388 \$ 47,2388 \$ 47,2388 \$ 6,014,879	7% 17% 17% 17% 17% 17% 17%		132.0% 4.9% 187% 26.2% 53.4% 55.6%
EMPLOYEES 35.766 (100.5 \$ 35.766 (100.5 \$ 35.766 (100.5 \$ 4.47.154 (100.5 \$ 4.47.154 (100.5 \$ 5.47.154	\$ 5.595 \$ \$ 5.626 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	36,121,461 40,237,331 52,000,548 58,287,883 67,356,664 71,530,754 71,530,754 60,006,661 60,006,661 66,115,253 72,800,073	\$ (1200.264) \$ (1200.264) \$ (1200.264) \$ (1300.264) \$ (13100.465) \$ (13100.465) \$ (13100.465) \$ (13100.465) \$ (1320.865) \$ (1320.865) \$ (1320.885) \$	00% 17% 8% 9% 17%		1.6% -4.9% 18.7% 55.2% 53.4% 55.6%
93.756 93.756 93.756 94.467 95.476	786 \$ \$ 595 \$ \$ (626 \$ \$ (626 \$ \$ (626 \$ \$ (626 \$ \$ (626 \$ \$ (626 \$ \$ (627 \$ \$ (627 \$ \$ (627 \$ \$ (627 \$ \$ (627 \$ \$ (627 \$ \$ (627 \$ \$ (627 \$ \$ (627 \$ \$ \$ (627 \$ \$ \$ (627 \$ \$ \$ (627 \$ \$ \$ (627 \$ \$ \$ (627 \$ \$ \$ (627 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	36,121,461 40,237,331 52,000,548 58,287,883 67,356,664 71,530,754 71,530,754 60,006,661 66,118,525 72,573,728 74,800,079	\$ (1,20,264) \$ (1,20,264) \$ (1,20,264) \$ (1,20,264) \$ (1,100,465) \$ (13,100,465) \$ (13,100,465) \$ (13,639,573) \$ (1,20,886) \$ (1,20,886	00% 17% 33% 9% 9%		1.6% -4.9% 18.7% 26.2% 53.4% 55.6%
0008 \$ 41,467 0008 \$ 51,771 0008 \$ 51,771 011 \$ 58,256 011 \$ 58,226 010 \$ 58,226 008 \$ 56,226 0008 \$ 66,556 0009 \$ 66,4126 011 \$ 63,446 011 \$ 63,446 011 \$ 63,446 011 \$ 63,446 011 \$ 63,446 011 \$ 63,446 011 \$ 63,446	\$ (626 \$ (626 \$ (626 \$ \$ (626 \$ \$ (626 \$ \$ \$ (622 \$ \$ \$ (622 \$ \$ \$ (622 \$ \$ \$ \$ (622 \$ \$ \$ \$ \$ (622 \$ \$ \$ \$ \$ (622 \$ \$ \$ \$ \$ \$ \$ \$ \$ (627 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	40,237,331 52,000,548 58,287,883 67,356,564 71,530,754 VRS NON-PRO 60,006,661 66,118,525 72,573,728 74,800,079	\$ (1,230,264) \$ 4,845,922 \$ 6,817,231 3 13,100,465 \$ 13,639,573 FESSIONAL EMPLO \$ 4,723,885 \$ 4,732,885 \$ 6,014,879	3% 3% 3% 1% 1% 5%		14.9% 18.7% 53.4% 55.6% 33.2%
7.154 00.09 \$ 7.154 00.09 \$ 5.470 00.09 \$ 5.470 00.00 \$ 5.470 00.00 \$ 5.470 00.00 \$ 6.50 00.00 \$	(626 \$ (652 \$ (6	52,000,548 58,287,883 67,356,664 71,530,754 71,530,754 60,006,661 66,118,525 72,573,728 74,800,079	\$ 4,845,922 \$ 6,817,231 \$ 13,100,465 \$ 13,639,573 FESSIONAL EMPLO \$ 4,723,885 \$ 4,338,513 \$ 6,014,879	3% 38% 98% 17%		18.7% 26.2% 53.4% 55.6%
54.75 010 \$ 5.4.75 010 \$ 5.4.25 010 \$ 5.4.25 008 \$ 5.282 000 \$ 5.282 000 \$ 6.160 000 \$ 6.160 010 \$ 64.72 011 \$ 63.441 011 \$ 63.441	(199 S (199 S (199 S (181 S (181 S (181 S (1776 S (1912 S (1912 S (1913 S (191	58,287,883 67,356,664 71,530,754 71,530,754 60,006,661 66,118,525 72,573,728 74,800,079	\$ 6,817,231 \$ 13,100,465 \$ 13,639,573 FESSIONAL EMPLO \$ 4,723,885 \$ 4,938,513 \$ 6,014,879	8% 8% 19%		26.2% 53.4% 55.6% 33.2%
011 \$ 54.256 011 \$ 57.891 0480 0480 0680 0680 0680 0680 0680 0680	4T UNIT	67,356,664 71,530,754 71,530,754 06,006,661 66,118,525 72,573,728 74,800,079	\$ 13,100,465 \$ 13,639,573 FESSIONAL EMPLO \$ 4,723,885 \$ 4,938,513 \$ 6,014,879	9% 9%		55.6%
00AED COMPONE) 00AED COMPONE) 0006 \$ 55.282 0008 \$ 65.282 0008 \$ 64.722 011 \$ 63.441 000 \$ 64.122 011 \$ 63.441 010 \$ 64.11 000 \$ 64.122 011 \$ 63.441 010 \$ 64.11 000 \$ 64.11 010 \$ 64.11 010 \$ 64.11 010 \$ 64.11 010 \$ 64.11	4T UNIT - 1776 \$ 1,776 \$ 1,012 \$ 1,012 \$ 1,071 \$ 1,071 \$ 1,071 \$ 1,071 \$ 1,073	VRS NON-PRO 60,006,661 66,118,525 72,573,728 74,800,079	\$ 13,639,573 FESSIONAL EMPLO \$ 4,723,885 \$ 4,938,513 \$ 6,014,879	9%		33.2%
0.0ARD COMPONER 0.005 \$ 55.282 0.007 \$ 61.160 0.008 \$ 65.474 0.010 \$ 64.722 0.011 \$ 65.474 0.010 \$ 64.722 0.011 \$ 65.414 0.010 \$ 65.414 0.010 \$ 65.414 0.010 \$ 65.414 0.010 \$ 65.414 0.010 \$ 65.414	NT UNIT	VRS NON-PRO 60,006,661 66,118,525 72,573,728 74,800,079	S 4,723,885 \$ 4,938,513 \$ 6,014,879	% %		33.2%
007 \$ 61,186 008 \$ 66,56 008 \$ 65,47 010 \$ 64,127 011 \$ 63,44 employment Bene 09 \$ 09 \$ 11 \$		66,118,525 72,573,728 74,800,079				20.400
008 \$ 66.565 009 \$ 65.474 010 \$ 64.122 011 \$ 63.440 employment Bene OYEES AND RETII 0 \$ 5		72,573,728 74,800,079		97.076	15.236.207	- A - A - A - A - A - A - A - A - A - A
000 \$ 00.300 000 \$ 65.470 011 \$ 63.440 employment Bene OYEES AND RETII 00 \$ 5		74,800,079				36.470
0003 \$ 05,474 011 \$ 63,444 011 \$ 63,444 02 employment Bene OYEES AND RETII		74,800,079			201,020,105	54.0%
010 \$ 64,120 011 \$ 63,440 employment Bene 0YEES AND RETII				87.5%	16,948,926	55.0%
employment Bene convers and RETII		80,984,997				103.8%
employment Bene OYEES AND RETII 09 \$ 110 \$		81,830,629	\$ 18,390,096	77.5%	\$ 15,357,257	119.7%
OYEES AND RETII 09 \$ 110 \$ 111 \$	fits (OPE	<u>B</u> ):				
	REES					
		59,910,937	\$ 59,910,937	0.0%	\$ 171,944,051	34.8%
11 S	s	60,204,591	\$ 60,204,591	0.0%	175,976,672	34.2%
		58,495,183	\$ 58,495,183	0.0%	\$ 170,921,920	34.2%
SCHOOL EMPLOYEES AND RETIREES	ETIREE	**				
July 1, 2009 \$	5	80,250,361	\$ 80,250,361	0.0%	\$ 198,943,586	40.3%
July 1, 2010 \$	59	82,776,654	\$ 82,776,654	0.0%	\$ 198,660,313	41.7%
July 1, 2011 \$		77,556,192	\$ 77,556,192	0.0%	\$ 171,691,191	45.2%
July 1, 2009 \$	5	140,161,298	\$ 140,161,298	0.0%	\$ 370,887,637	37.8%
016		142 981 245	\$ 142 981 245	95		38.2%
3 2010 S		142,100,241	0 142,301,240		000,000,000	20.470

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### CITY OF NORFOLK, VIRGINIA

Exhibit E-1

### Schedule of Revenue, Budget and Actual (Unaudited) General Fund For the Year Ended June 30, 2012

Centeral property laxes         \$ 246,979,300         \$ 246,979,300         \$ 246,979,300         \$ 246,979,300         \$ 246,979,300         \$ 246,979,300         \$ 3,138,50           Permits, privilege fers and licenses         1,570,000         4,576,300         4,576,300         1,522,224         1,442,224           Fines and forefutures         1,250,000         4,576,300         1,058,301         1,058,301         1,058,301           Charges for services         36,223,300         6,771,300         6,771,300         6,949,563         (1,869,938           Miscellaneous revenue         10,128,300         10,128,300         10,128,300         10,128,300         10,138,300           Recovered costs         10,579,200         10,579,200         10,579,200         10,379,300         10,381,300           Shard expense - Virginia         11,530,000         10,579,200         10,579,200         10,579,200         10,579,200           Categorical aid - Virginia         236,303,700         236,303,700         236,303,700         238,500,052         2,743,64           Chaeporica aid - Virginia         2,653,300         29,393,000         28,939,000         2,814,916         30,03,00           Ohre sources and transfers         2,939,000         28,939,000         28,939,009         2,814,916         30,03,		J	Original Budget	- 1	Final Budget		Budget Basis Actual	S S I	Positive (negative) Variance with Final Budget
and licenses (56,730,000 150,730,000 152,172,224 1,516,300 4,516,300 4,020,687 1,250,000 1,250,000 1,105,301 1,105,301 1,105,301 10,128,300 10,128,300 10,128,300 10,128,300 10,128,300 10,128,300 10,128,300 10,128,300 10,31,960	General property taxes	69	246,979,300	69	246,979,300	69	250,117,894	S	3,138,594
1.55(0.00 1,250,000 1,106,831 (5.71,300 1,106,831 (5.71,300 1,126,300 1,106,831 (5.71,300 6,948,589 (1.01,28,300 10,128,300 10,128,300 10,128,300 10,128,300 10,128,300 10,128,300 10,128,300 10,128,300 10,128,300 11,159,000 12,002,177 (1.05,500 11,150 01,150,500 11	Other local taxes		150,730,000		150,730,000		152,172,224		1,442,224
1,250,000 1,250,000 1,106,931 6,711,300 6,711,300 6,946,253 10,718,300 10,728,300 34,426,975 (17 10,579,200 10,779,200 10,311,990 1,155,000 11,530,000 22,002,177 19,153,000 11,530,000 12,266,827 10,545,200 10,545,200 12,869,095 236,303,700 226,303,700 223,560,095 28,639,000 28,639,000 28,998,039	Permits, privilege fees and licenses		4,516,300		4,516,300		4,020,697		(495,603)
8,711,300 6,711,300 6,948,633 6,948,633 36,233,900 34,428,988 (1) 10,128,300 10,128,300 10,518,900 10,311,990 10,311,990 11,587,000 13,1857,000 32,628,177 19,153,000 19,286,827 10,545,200 10,545,200 112,827,116 2,28,939,000 28,939,000 28,939,000 28,939,000	Fines and forfeitures		1,250,000		1,250,000		1,106,931		(143,069)
3,223,900 36,323,900 34,426,938 (1) 10,128,300 10,128,300 8,744,975 (1) 10,579,200 10,128,300 10,311,900 31,857,000 21,857,000 22,022,177 19,153,000 19,153,000 19,268,827 228,503,700 228,503,700 228,509,022 (2) 28,503,000 258,503,000 28,598,039	Use of money and property		6,711,300		6,711,300		6,949,563		238,263
10,726,300 10,128,300 8,744,975 (1 10,576,200 10,579,200 10,311,990 10,311,990 10,311,990 10,311,990 10,311,990 10,311,990 10,311,990 10,311,990 11,30,300 19,286,827 12,823,930,000 12,827,116 2,89,939,000 29,939,000 29,939,000 29,939,000	Charges for services		36,323,900		36,323,900		34,426,938		(1,896,962)
10,579,200 10,579,200 10,311,990 31,657,000 31,857,000 32,062,177 19,153,000 19,153,000 19,286,827 10,545,200 10,545,200 123,560,052 29,939,000 29,939,000 29,989,039	Miscellaneous revenue		10,128,300		10,128,300		8,744,975		(1,383,325)
31.857.000 31.857.000 32.055.177 19.153.000 19.153.000 19.288.857 226.303,700 236.303,700 233.560.052 10.545.200 10.545.200 12.287,116 29.939.000 29.939.000 29.989.039	Recovered costs		10,579,200		10,579,200		10,311,990		(267,210)
19,153,000 19,153,000 19,286,827 259,33700 233,560,052 10,545,200 12,827,116 10,545,200 29,939,000 29,939,000 29,939,000	Non-categorical aid - Virginia		31,857,000		31,857,000		32,052,177		195,177
236,303,700 226,303,700 233,560,052 10,545,200 10,545,200 12,827,116 29,393,000 29,393,000 29,893,039	Shared expense - Virginia		19,153,000		19,153,000		19,286,827		133,827
10,545,200 10,545,200 12,827,116 2,2 29,939,000 29,939,000 29,898,039	Categorical aid - Virginia		236,303,700		236,303,700		233,560,052		(2,743,648)
29,939,000 29,939,000 29,989,039	Categorical aid - Federal		10,545,200		10,545,200		12,827,116		2,281,916
	Other sources and transfers	Į	29,939,000		29,939,000		29,989,039	ļ	50,039

Exhibit A-3 for GASB 54 includes the General Fund, the Nauticus Fund and the Maritime Facility Fund.

### CITY OF NORFOLK, VIRGINIA

Exhibit E-2

### Schedule of Expenditures, Budget and Actual (Unaudited)

General Fund For the Year Ended June 30, 2012

8 4577 800 \$ 4577 800 \$ 4577 800 \$ 3.941.200 \$ 3.941.200 \$ 2.8552.200 \$ 2.8552.200 \$ 2.8550.502 \$ 24.733,919 \$ 2.850.550.500 \$ 96.219.852 \$ 24.733,919 \$ 2.86.719.8200 \$ 96.300 \$ 2.86.811 \$ 8.28.8511 \$ 9.28.8511			Orininal		Final		Budget	5	(negative)
\$ 4,438,800 \$ 4,577,800 \$ 1,919,800 1 ct Law 3,941,200 3,941,200 3,941,200 3,941,200 2			Budget	Į,	Budget		Actual	Ē	Final Budget
tof Law 3,941,200 1,919,800 1,929,800 1,919,80	egislative	w	4,438,800	S	4,577,800	69	4,484,890	49	92,910
3,941,200 8,542,200 2,740,500 2,740,500 2,740,100 2,740,100 5,520,502 43,096,900 5,520,502 5,746,1100 5,520,505 5,201,3565 5,746,200 5,201,365 5,746,200 5,746,200 5,746,200 5,746,200 6,778,200 6,7	xecutive		1,919,800		1,929,800		1,928,855		945
8.542.200 8.552.200 8.752.	epartment of Law		3,941,200		3,941,200		3,896,197		45,003
2,740,560 2,586,524 4 45,634,100 45,874,100 4 5,537,900 5,520,502 5 7,481,100 56,213,555 5 43,096,900 41,347,162 5 224,993,200 24,1347,183,919 2 224,993,200 229,550,500 28 6,976,200 6,878,200 2906,300 87,828,611 77,755,200 80,530 80,630 80,630 80,433,300 81,482,400 81,032,400 81,032,400 81,032,400 81,796,8594 11,949,800 17,968,594 11,968,594 11,377,800 12,516,774 10,33,24,00 17,968,157 224,071 3,999,100 425,000 41,449	inance		8,542,200		8,552,200		8,494,376		57,824
45.634,100 45,874,100 46,874,100 47,874,100 47,874,100 47,874,100 47,874,100 47,874,100 47,874,100 56,273,650 57,780,780 47,180,780 47,180,780 47,180,780 47,180,780 47,280,780 47,280,780 47,180,780 47,280,780 47,280,780 47,280,780 47,280,780 47,280,780 47,280,790 47,44,498	epartment of Human Resources		2,740,500		2,850,524		2,870,042		(19,518)
5.577,900 5.520,502 5.40,505 5	ourts, Sheriff and Detention		45,634,100		45,874,100		45,710,066		164,034
7,461,100 56,213,555 5 5 43,096,900 41,347,162 4 24,993,100 24,793,919 2 290,500,500 24,793,919 2 290,500,500 24,793,919 2 290,500,500 24,793,919 2 290,500,500 24,793,919 2 290,500 8,748,300 6,218,211 17,752,300 38,018,000 64,428,900 65,624,00 82,052,40	epartment of Public Health		5,537,900		5,520,502		5,493,133		27,369
43,096,900 41,447,162 4 24,999,300 24,789,319 2 290,500,000 24,789,319 2 290,500,000 240,782,000 6,678,200 6,678,200 87,48,300 6,578,200 87,48,300 8,58,611 6,748,300 8,58,611 6,748,300 8,58,611 6,748,300 8,58,611 6,748,300 8,58,611 6,44,800 6,58,63,800 6,644,800 6,58,63,800 6,644,800 17,998,544 11,987,400 17,998,544 11,987,400 17,998,544 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 2,516,740 11,377,800 4,5100 4,5100 4,5100 4,5100	epartment of Human Services		57,461,100		56,213,555		50,689,154		5,524,401
24,993,200 24,7478,3479 2 290,550,500 229 6,978,200 6,878,200 29 6,978,200 6,878,200 8,748,300 8,228,511 17,755,200 23,013,369 1 17,755,200 23,013,369 1 17,755,200 38,018,000 3 66,434,300 82,638,300 6 64,437,300 82,025,400 8 20,352,400 82,052,400 8 20,352,400 17,598,594 1 18,949,800 17,598,594 1 18,949,800 17,598,594 1 1,877,800 2,516,744 1 1,377,800 2,516,744 1 1,377,800 2,516,744 1 1,377,800 3,893,100 3,893,100 4,25,000 4,14,439	epartment of Public Works		43,096,900		41,347,162		41,169,664		177,498
290,550,500 290,550,500 28 6,978,200 6,978,200 6,978,200 896,300 896,300 896,300 896,300 896,300 87,785,200 23,013,399 17,785,200 23,013,399 17,785,200 23,013,399 17,785,200 23,013,399 18,249,800 47,287,800 47,287,800 1,287,400 1,787,800 1,287,400 1,787,800 2,516,794 1,987,400 1,787,800 2,516,794 1,987,400 1,787,800 2,516,794 1,987,400 1,787,800 2,516,794 1,387,400 1,287,400 1,287,400 1,287,400 1,287,400 1,287,400 1,287,400 1,287,400 1,287,400 1,287,400 1,287,400 1,287,400 1,287,400 1,389,100 3,899,100 3,899,100 4,44,459	eighborhood & Leisure Services		24,939,300		24,793,919		22,846,389		1,947,530
6,978,200 6,978,200 9,748,300 8,258,511 6,218,330 8,258,511 17,755,200 8,218,215 17,755,200 23,013,399 18,444,800 65,663,800 66,44,800 82,052,400 82,052,400 82,052,400 18,549,800 17,568,564 11 1,887,400 17,568,564 11 1,387,400 17,568,564 11 1,347,800 2,516,74 10,32,400 17,688,517 264,071 284,071 3,399,100 3,899,100 425,000 41,459	ducation		290,550,500		290,550,500		286,799,256		3,751,244
906.300 906.300 806.300 80.300	orfolk Public Libraries		6,978,200		6,878,200		6,879,197		(387)
8,746,300 8,258,611 6,218,215 17,756,200 23,013,399 11 38,423,300 38,423,300 38,423,300 66,448,800 65,663,800	lections		906,300		906,300		820,490		85,810
6.218.300 6.218.215 17.755.200 23.013.369 1 38,423.300 38,018.000 3 68,445.800 65,6693.800 6 40.287.900 82,052.400 8 22,052.400 82,052.400 8 18,949.800 17,968,564 1 1,887.400 17,968,564 1 1,877.800 2,516,764 1 10,342.400 10,085,157 284,071 284,071 284,071 284,071 3,999,100 4,25,000 414,459	epartment of Planning		8,748,300		8,258,611		8,250,752		7,859
17,755,200 23,013,369 11 38,423,300 88,428,800 65,683,800 66,448,800 65,683,800 82,052,400 82,052,400 82,052,400 82,052,400 82,052,400 82,052,400 82,052,400 82,052,400 82,052,400 1,327,4	epartment of Civic Facilities		6,218,300		6,218,215		6,200,239		17,976
38,423,300 38,018,000 3 66,448,800 65,683,800 6 40,287,900 40,087,900 3 82,082,400 82,082,400 8 18,948,800 17,868,564 1 1,857,800 2,516,794 10,32,400 10,885,157 284,077 284,071 3,939,100 3,899,100 425,000 414,459	epartmental Support		17,755,200		23,013,369		13,621,692		9,391,677
66.449,800 66,643,800 66 40,287,900 40,087,900 3 82,026,400 82,052,400 82,036,400 1782,659 18,949,800 17,826,594 17,77,800 2,516,794 10,342,400 10,085,157 264,071 284,071 3,939,100 3,899,100 425,000 414,458	utside Agencies		38,423,300		38,018,000		37,802,810		215,190
40,287,900 40,087,900 3 82,022,400 82,052,400 8 803,629 792,628 18,949,800 17,988,594 1 1,757,800 1,227,400 1,757,800 2,516,794 10,342,400 10,085,157 284,071 284,071 3,99,100 3,899,100 425,000 414,458	epartment of Police		66,494,800		65,663,800		64,783,206		880,594
82,052,400 82,052,400 8	epartment of Fire and Rescue		40,287,900		40,087,900		39,933,647		154,253
803,629 1792,629 1 18,949,800 17,968,564 1 1,587,400 1,827,400 1,737,800 2,516,774 10,342,400 10,085,157 264,071 284,071 3,939,100 3,899,100 425,000 414,458	ebt service		82,052,400		82,052,400		81,875,285		177,115
18,949,800 17,998,564 1 1,887,400 1,827,400 17,377,800 2,516,794 10,34,940 10,085,157 284,071 284,071 3,939,100 3,899,100 425,000 414,499	udget and Management		803,629		792,629		838,030		(45,401)
1,887,400 1,827,400 1,737,800 2,516,794 10,342,400 10,085,157 284,071 284,071 3,939,100 3,889,100 425,000 414,458	eneral Services		18,949,800		17,968,564		17,993,092		(24,528)
1,757,800 2,516,794 10,342,400 10,085,157 264,071 284,071 3,939,100 3,899,100 425,000 414,458	conomic Development		1,867,400		1,827,400		1,753,652		73,748
thrology 10,32,400 10,005,167 284,071 284,071 3,939,100 3,899,100 425,000 414,456	ommunications and Public Relations		1,757,800		2,516,764		2,289,875		226,889
284,071 3,939,100 425,000 414,458	epartment of Information Technology		10,342,400		10,085,157		9,888,783		196,374
3,939,100 3,899,100 3, 425,000 414,458	ffice of Grants Management		264,071		264,071		198,901		65,170
425,000 414,458	Irginia Zoological Park		3,939,100		3,899,100		3,843,102		55,998
	ffice of Homelessness		425,000	- [	414,458	-	397,906	-	16,552
Total expenditure budget \$ 771,752	otal expenditure budget	s	795,016,200		795,016,200	s	\$ 771,752,681	w	23,263,519

Exhibit A-3 for GASB 54 includes the General Fund, the Nauticus Fund and the Maritime Facility Fund.

CITY OF NORFOLK, VIRGINIA

Notes to Required Supplementary Information Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited) June 30, 2012

Sources/inflows of resources.
Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1

Differences-budget to GAAP: The effects of accounting for school revenue as a component unit

The effects of accounting for transfer from fund balance

General fund transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes

The effects of accounting for Nauticus fund, Maritime Facility fund and Grants fund

Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

<u>Uses/outflows of resources:</u>
Actual amounts (budgetary basis) "Total charges to appropriations" from Exhibit E-2

Differences-budget to GAAP: The effects of accounting for school expenditures as a component unit

Equipment purchased with bond proceeds

The effects of accounting for Nauticus fund, Maritime Facility fund and Grants fund

Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetsy purposes, but in the year the supplies are received for financial reporting purposes.

General fund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes

Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds

There were no material violations of the annual appropriated budget for the General fund for fiscal year 2012.

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# OTHER SUPPLEMENTARY INFORMATION

## COMBINING FINANCIAL STATEMENTS

~ Nonmajor Governmental Funds ~ ~Agency Funds ~ ~ Internal Service Funds ~

### OTHER SCHEDULES

- ~ Schedule of Expenditures of Federal Awards ~
- ~ Notes to Schedule of Expenditures of Federal Awards ~
- ~ Schedule of Revenues and Expenditures Budget and Actual – Special Revenue Funds ~
- Schedule of Revenues and Expenditures Budget and Actual Internal Service Funds ~
- Schedule of Revenues and Expenditures Budget and Actual Capital Projects Fund ~



## Nonmajor Governmental Funds

### Special Revenue Funds

The Special Revenue funds are used to account for proceeds of specific resources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The individual special revenue funds are:

Storm Water Fund: To account for the operation of the environmental storm water management system, including maintenance of storm water draininge facilities. The costs of providing services on a continuing basis are partially financed or recovered through user charges to Norfolk residents and commercial and industrial customers.

Towing & Recovery Operations Fund: To improve neighborhood livability by providing reliable dispatching of towing services, storage of vehicles and recovery or disposal of vehicles.

Grants Fund: To account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds and to finance special programs that may have reporting periods that do not correspond with the City's fiscal year.

Community Development Fund: To account for all entitlement funds received under Title 1 of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.

Cemeteries Fund; To account for the operation of the City's cemeteries.

Golf Fund: To account for the operation of the City's golf courses

Public Amenities Fund: To promote cultural and entertainment activity in the downtown area.

Emergency Operations Center/911 Fund: To account for the operation of the City's emergency operations center/911. Tax Increment Financing Fund: To account for debt service requirements for the general obligation bonds and property tax collections within the Broad Creek Renaissance Tax Increment Financing District.



# Nonmajor Governmental Funds (Con't.)

#### Permanent Fund

The Permanent fund is used to report resources that are restricted by City Code to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. The City's permanent fund (non-expendable trust) is used to account for the perpetual care and endowed care at certain City-owned cemeteries, however both the earning and principal is used for purposes that support City the maintenance of owned cemeteries.



### CITY OF NORFOLK, VIRGINIA Combining Balance Sheet - Normajor Governmental Funds June 30, 2012

Exhibit F-1

		Water		Towing		Grants	5 8	Development	0	Cemeteries
ASSETS		100000			l	1000000				
Cash and short term investments	**	2,849,660	**	474,965	un	3,404,859	49	350,484	40	383,313
Receivables, net		2,263,923		835		887,636		595,464		101,290
Oue from other funds		434,372		164,580		1,783,544		*		58,417
Oue from other governments		-4		٠		9,307,094		•		*
Prepaids		٠		23,091				.*		٠
Other		234		*		S		87		٠
fotal assets	-	5,547,955	*	\$ 663,471	5	\$ 15,383,133		945,948		543,020
ABILITIES										
Vouchers payable	**	163,779	**	4,322	69	1,526,043	44	242,631	44	42,955
Contract retainage		٠				73,860		*		
Account payroll		63,381		7,537		68,516		2,876		٠
sasuadxa parubby		,		*						٠
Oue to other funds		1,592,672		*				52,368		٠
Oue to other governments				*		6,682,253		92.988		
Deferred revenue		542,898		٠				565,085		
Other liabilities		237		4,437		3			ļ	137,078
Total labilities	ł	2,362,967		16.296	1	8,350,672		945,948	J	180,033
FUND BALANCES										
Nonspendable		33		23,091		24		iit)		
Restricted		ë		ř		3,195,584		•		
Committed		3,184,988				60,872		i fi		
Assigned		79		624.084		3,776,005		ri.		362,987
Unassigned	ļ	*****			J		ļ		1	
Total fund balances	I	3,184,969		647,175		7,032,461				362,987
Total Sabilitae and fired halaneas		5 547 965	**	6 663471		\$ 15383133		945 948		643 000

Exhibit F-1

## CITY OF NORFOLK, VIRGINIA Combining Balance Sheet - Normajor Governmental Funds June 30, 2012

Nonmajor	Governmental	Funds		\$ 20,937,693	4,556,261	3,549,959	9,307,084	23,091	- 1	\$ 38,374,106	\$ 2,107,363	73,860	215,423	5,284	1,645,040	6,775,241	1,097,983	141,752	12,061,946	23,091	9,474,279	3,245,860	13,568,930		26,312,160	\$ 38,374,108
Funds	Non-	Expendable	trust	\$ 6,178,090	16,065	٠	174	*	60	\$ 6,194,163			4	4	٠	٠				- 1	6,194,163	1			6,194,163	5 6,194,163
	Total	Special	Revenue	14,759,603	4,540,196	3,549,959	9,307,094	23,091	1	32,179,943	2,107,363	73,860	215,423	5,284	1,645,040	6,775,241	1,097,983	141,752	12,061,946	23,091	3,280,116	3,245,850	13,568,930		20,117,997	32,179,943
ı			1	19					ı	-	**							ļ	1					-		٠
		ă	Increment	2,506	9			*:		2,506	£	٠	2	*	٠	٠	٠	٠			٠	٠	2,506		2,506	2,500
8			1	44							44							J							1.	•
Special Revenue Funds		E0C/	811	179,607	110,754	27,377	,	٠		317,738	37,716	4	73,113	5,284	٠				116,115		'n.		201,623		201,623	317,735
ectal			1	**							**							Į	1					-		n
Sp		Public	Ameribes	7,026,069	559,100	1,070,980		÷		\$ 8,656,149	60,032	٠	į	30	٠	(4)	٠		60,032		÷	.+.	8,596,117		8,596,117	8,656,143
1			1	**						"	**								1							*
			100	88,140	21,194	10,589		77.5		120,023	29,883	٠		0.00	٠	٠	*		29,863		84,532	,	5,608		90,140	120,023
			T	**							**															0

# CITY OF NORFOLK, VIRGINIA Combining Statement of Revenues, Expenditures and Changes in Fund Balance Normajor Governmental Funds For the Year Ended June 30, 2012

1,000   1,00												
Where   Touring   Color			Storm		90160			Community				
11,246 1,150,246	8814736730		Water		Towing	Ţ	Grants	Development	1	Cemeteries	Ţ	Goff
11.346 11.500 11.346 11.500 11.347 1320 11.340 1320 11	General property taxes	**		**	19	49		**	**	25	u	3
11,144 1,140	Other local taxes											
11,346 1,450	Fines and forfeitures		. *		٠		700	٠				10
12,147,755 1,504,246 45,520 4044 46,520 4044 12,565,340 1,544,359 12,565,340 1,544,369 12,565,340 1,544,369 14,565,340 1,544,340 14,565	Use of money and property		11,348		1,450		2,856	24		•		101,487
45,330 76,966 46,330 10,966 94,033 4,604 13,545,568 9,013,577 1,446,399 70 10,159	Charges for services		12,147,735		1,268,248		56,863	*		1,162,855		1,063,022
9013577 1,444,389  of revenue of	Macelaneous		45,330		79,866		2,793,187	95,513	-	•		٧
9,053 4,054 60 1,354,369 60 1,3	Intergovernmental											
296237 12264.268 10013.577 1,4445.369 10013.577 1,4445.369 100	Commonwealth of Virginia		ė.		ė		12,235,203			•		٠
9,013,577 1,446,389 of revenue	Federal government		54,533	-	4,804	,	15,599,306	5,694,666			-	
9 9013577 1,444,399  ordenona  orden	Total revenue		12,299,346		1,354,368		30,688,115	5,790,179	-1	1,162,855		1,164,509
6013.577 1,444.389 (17.57) (1445.389 (17.57) (1445.389 (17.57) (1445.389 (17.57) (1445.389 (17.57) (1445.389 (17.57) (1445.389 (17.57) (14.53)	EXPENDITURES											
9,013,577 1,444,389   1	General government		*		į		130,444	*		Š		٠
6013,577 1,444,389 (17,445,389	Judicial administration		ं		-96		3,120,316	69				
8 9013.577 1,4445.389 and other states of the control of the contr	Public safety		9		0		4,009,418	i		5		e
6 diversions 8973.577 1,446.389 15 15 15 15 15 15 15 15 15 15 15 15 15	Public works.		9,013,577		1,445,389		5,498,393			٠		
6013577 (445389 (61271) (61271	Health and public assistance		*		3		18,474,745	881,812	23			
of memora.  9,013,577  1,446,389  10,000  10,0	Cultural and recreation		ti		*)		585,092			1,885,415		1,419,103
of eventure 3,216,799 (01,021) PRESS (USES) (07,200) (07,200) PRESS (USES) (07,200) (07,100) PRESS (USES) (07,200) (07,100) PRESS (USES) (07,200) (07,100) PRESS (USES) (07,100)	Community development		4		4		1,475,054	3,710,995	12			٠
For the first of t	General services				343		٠	i ki				
1,445,389   1,445,389   1,445,389   1,445,389   1,445,389   1,445,389   1,445,389   1,445,389   1,445,389   1,445,389   1,445,389   1,445,389   1,445,389   1,445,389   1,445,389   1,455,489   1,45	Education		ė				784					
6 freedom 903.577 1,446,389 100,000 10	Debt service:											
### ### ##############################	Principal		5		ř		100	ė		*		*
## 1013.577 1446.389   1446.389	Interest and other charges			Į		Į,						٠
orderes 3,285,769 (91,021)  INCES (UESS)  (4,259,269) (5,159)  INCES (UESS)  (4,259,269) (3,159)  INCES (UESS)  (4,55,269) (1,28,10)  (4,55,269) (1,28,210)  (4,55,269) (1,28,210)	Total expenditues		9,013,577		1,445,389	[].	33,294,246	4,592,807		1,885,415		1,419,103
PRCSS (UBES) (4259.289) (53.18	Excess (deficiency) of revenue over (under) expenditures		3,285,769	Į,	(91,021)		(2,606,131)	1,197,372	-1	(722,560)		(254,594)
to and uses (4,259,250) (55,15	OTHER FMANCING SOURCES (USES)				,		4.722 944	(4		A02 RG4		350 000
es and uses (4,259,250) (55,16	Transfers out		(4.258.289)		(35,189)			(1,197,372)	6			
4,15/200 (126,210) 4,15/208 773,385	Total other financing sources and uses.		(4,258,289)	H	(35,189)		4,322,944	(1,197,372)	16	622.694	Ц	250,000
A157,508 773,385	Net change in fund balances		(972,520)		(126,210)		1,716,813	190		(99,866)		(4,594)
0 0404000 0 000405 0	Fund balances—beginning Adjustment to beginning balance		4,157,508		773,385		5,315,648	*		462,853		94,734
0117100 0 00170170	Fund balances—ending	10	3,184,988	00	647,175		7,032,461		-	362.987	-	90,140

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### CITY OF NORFOLK, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Normajor Governmental Funds For the Year Ended June 30, 2012

	un.	Special Revenue Funds	Fund	19			ű.	Funds		Total
						Total	î	Non-		Nonmajor
	Public	EOC/		Tax		Special	Epp	Expendable		Governmental
4	Amendes	911	1	Increment	1	Revenue		Trust	-	Funds
			**	2,799,321	w	2,799,321	**	W	**	2,799,321
	5,490,067	3,571,596				9,061,663		2		9,061,663
		٠		-		700				700
				4		117,145		24,313		141,458
		3,534		*		15,702,257		125,251		15,828,508
		4		-		3,013,896		74		3,013,896
	•	1,702,654		æ		13,937,857		Ġ.		13,937,857
	٠	4				21,393,709				21,393,709
63	5,490,067	5,277,784		2,799,325	Ш	66,026,548		150,564		66,177,112
	(4)	*		٠		130,444		4		130,444
	e			9		3,120,316		Ç4		3,120,316
	×	8,907,693		A		10,917,111		¥.		10,917,111
	*	4				15,957,359		(2)		15,957,359
						19,356,557				19,356,557
	635,665	٠		٠		4,525,275		47		4,525,322
	*	, il				5,186,049		Ŧ		5,186,049
	*	ë		ř.				÷		
	35.	190				784		(4)		784
	8	(1)		150,000		150,000		ř		150,000
	i.	-		726,438		726,438				726,438
	635,665	6,907,693	J.	876,438		60,070,333		47		60,070,380
	4,854,402	(1,529,909)	1	1,922,887	- 1	5,956,215	1	150,517		6,106,732
		424,374				5,620,012				5,620,012
	(1,194,750)			(2,202,961)		(8,888,561)		(305,580)		(9,194,141)
	(1,194,750)	424,374	П	(2,202,961)	П	(3,268,549)		(305,580)		(3.574.129)
	3,659,652	(1,206,535)		(280,074)		2,687,666		(155,063)		2,532,603
	4,936,465	1,407,158		282,580		17,430,331		6,349,226		23,779,557

\$ 8,598,117 \$ 201,623 \$ 2,506 \$ 20,117,997 \$ 6,194,163 \$ 26,312,160

Exhibit F-2

#### Agency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds:

Agency Fund - Other, to account for other monies held for private organizations and other funds.

Agency Fund - Commonwealth of Virginia; to account for monies on deposit with the City Treasurer held for the Treasurer of the Commonwealth of Virginia.



Exhibit G-1

## CITY OF NORFOLK, VIRGINIA Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2012

Balance				l	ō	Other		1	
\$ 4.20 6657 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$		1	Balance uly 1, 2011	1	dditions	۵	Deductions	Jul	Balance June 30, 2012
8 4208.057 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	ASSETS								
10   10   10   10   10   10   10   10	Cash and short term investments Accounts receivable	**	4,219,857	10	7,128,241		7,390,914	**	3,957,184
1	Other receivables		288,037		133,930		411,443	Į	10,524
1	Total assets		4,508,557	69	7,262,834		7,803,683		3,967,708
1,000   1,00	LIABILITIES								
A 250,000   5   4,000,000   5   4,000,000   5   4,000,000   5   5   5   5   5   5   5   5   5	Vouchers payable	uh.	23.892	m	1,438,010	**	1,432,277	**	29,625
Balance   July 1, 2011   Balance   S   7,410   S   7	Due to other agencies Total labilities	-	4,508,557	90	8,514,574		9,055,423		3,967,708
September   Sept		- 1				1	la l		
July 1,2011		1	Bulanca	l	Commonwea	atn or v	riginis.	ľ	Beliance
\$ 7.4(0 \$ 8.885.22 \$ 7.4(0 \$ 8.895.22 \$ 4.2(2.28) \$ 1.818.445 \$ 4.5(2.28) \$ 1.5818.445 \$ 1.5(2.28) \$ 1.5(2.2		7	uly 1, 2011	1	suggippor	9	Deductions	2	June 30, 2012
\$ 7,410 \$ 8,000,222 \$ 7,410 \$ 8,000,222 Buthers   Part	Asserts Cash and short term investments	80	7,410	10	8,690,222		8.679,923	-	17,709
S   7,410   S   8,800,222	Total ansets		7,410	0	8.690,222		6,679,923		17,709
Team	LIABILITIES  Due to the Commonwealth of Virginia	45	7,410	**	8.690,222	**	6,679,923	**	17,709
Team	Total labilities	*	7,410	un.	8,690,222		8,679,923		17,709
Butance   Addition   A		,,,				3		-	
an investments \$ 4.27.267 \$ 15.616.465 and 20.007 \$ 20.00.007 \$ 15.616.465 and 20.007 \$ 15.620.000 \$ 20.00.007 \$ 15.620.000 \$ 15.620.000 \$ 20.000.000 \$ 15.620.00				l				1	
## 4227.267 \$ 15.616.463 ## 2266.027 \$ 15.616.463 ## 4.019.007 \$ 15.626.026 ## 4.019.007 \$ 15.626.026 ## 4.019.007 \$ 14.03.010 ## 4.019.007 \$ 17.007.00 ## 4.019.007 \$ 17.007.00 ## 4.019.007 \$ 17.007.00		3	Balance uly 1, 2011	1	Idditions	٩	Deductions	2	June 30, 2012
286.027 (133.00 \$ 4051.947 \$ 15183.00 \$ 23.02 \$ (458.01) \$ 4402.01 \$ 4402.01 \$ 4402.01 \$ 1730.750	ASSETS Cash and short term investments	+0	4,227,267	**	15,818,463	**	16,070,837	wh	3,974,893
\$ 4,515,007 \$ 15,053,006 \$ 23,052 \$ 1430,010 044 442,027 \$ 17,04,746 \$ 4,515,07 \$ 17,04,746	Accounts receivable Other receivables		288 037		133 930		411.443		10.524
\$ 23.892 \$ 1,438,010 4,492,075 15,196,796 \$ 4,515,897 \$ 17,204,796	Total assets	-	4,515,967	m	15,953,056		16,483,608	m	3,985,417
\$ 23,892 \$ 1,438,010 4,492,075 15,766,786 \$ 4,515,967 \$ 17,204,796	LIABILITES								
\$ 4,515,967 \$ 17,204,796	Vouchers payable	40	23,892	10	1,438,010	10	1,432,277	10	29,625
000,000,000	Oue to other agencies		4 492 015	1.	10,700,700	.	10,303,003		3.800,784 3.066,417
	TOTAL RADIODES	١,	4,010,007	1	11,204,120	ŀ	11,130,040		0.800,910

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### Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The individual internal service funds are:

Storehouse Fund - to acquire and issue to the operating departments materials, parts and supplies which are used in the same form as purchased.

Fleet Management Fund - to provide the operating departments with maintenance, repair and service for the City fleet of vehicles, heavy equipment and miscellaneous machinery.



## CITY OF NORFOLK, VIRGINIA Combining Statement of Net Assets - internal Service Funds June 30, 2012

Exhibit H-1

ASSETTS					Fleet		
1, 172   5   1, 172   1, 172		- 1	orehouse	M	anagement		Total
An interference in the continuents in the continuent in the	ASSETS						
1, ord control	Current assets:						
1, ref   1	Cash and short term investments	**	301,935	673	1,722	19	303,657
186,024   186,026   24,035	Receivables, net		٠		484,551		484,551
1,856,090   1,900,000   2,3	Due from other funds		46,024		849,859		895,883
1,246  229   358   324,356   324,3	Inventories	.0	1,895,099		360,100	2	2,255,199
### 15.20 ### 15	Total current assets		2,243,058		1,696,232		3,939,290
1,500   1,50	Noncurrent assets:						
15,246   4,565,259   4,565,2	Capital assets:						
15,240   4,621,259   4,642,259   4,642,259   4,642,259   4,642,259   4,642,259   4,642,259   4,642,259   4,642,259   4,642,259   4,642,259   4,642,269   4,642,2	Land						
1,5240   2,5223   2	Buildings and equipment, net	1	15,245	U	4,585,259		4,600,505
\$ 2,299,594   \$ 6,201,691   \$ 6,000   Space	Total noncurrent assets		15,245		4,585,259		4,600,505
25,598 \$ 1,508,994 \$ 1,588,995	Total assets	40	2,258,304	**	6.281,491	**	8,539,795
1,000,004   1,00	LIABILITIES						
25.920 \$ 1,04,260 \$ 1,	Current liabilities:						
Test (18,126)  Test (	Vouchers payable	**	25,928	**	1,038,994	9	1,064,922
25.677   178.136   27.256	Due to other funds				184,266		184,266
6,324 47.256 57.	Compensated absences		29,672		178,138		207,810
994 1884-0 2 995 1884-0 2 995 1894-0 2 995 1894-0 2 995 1894-0 2 995 1894-0 2 995 1894-0 2 1909-0 2	Accrued payroll		6,324		47,228		53,550
T30,755	Obligations for employees' retrement		67,811		488,440		556,251
Name         COT         1,941,149         2,0           Name         6,077         1,544,149         2,0           Nomes         6,077         15,346         2,0           Nomes         1,55,812         2,017,644         2,0           Nomes         1,53,812         2,017,644         2,0           Nomes         1,52,80         2,5017,644         2,0           Nomes         1,52,80         2,5017,644         2,0           Nomes         1,52,80         2,5017,644         2,0           Nomes         1,52,80         2,5017,644         2,0           Nomes         1,52,80         1,1         1,1           Nomes         1,1         2,0         1,1           Nomes         1,1         2,	Other liabilities	9			4,085		4,085
9,077 70,345 2,000  13,017 70,345 2,000  13,017 240 4,005,200 4,00	Total current liabilities		129,735		1,941,149		2,070,884
10   10   10   10   10   10   10   10	Noncurrent labilities:						
150.07   100.046   100.07   100.046   100.04	Compensated absences		6.077	9	76,345		82,422
Male seeth, roct 15,246 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259 4,256,259,250 4,256,259,250 4,256,259,250 4,256,259,250 4,256,259,250 4,256,259,250 4,256,259,250 4,256,259,250 4,256,259,250 4,256,250,250 4,256,250,250 4,256,250,250 4,256,250,250 4,256,250,250 4,256,250,250 4,256,250,250 4,256,250,250 4,256,250,250 4,256,250,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,256,250 4,	Total noncurrent labilities		6,077		76,345	9	82,422
15,246 4,565,259 (231,362) (331,362)	Total labilities		135,812		2.017,494	99	2,153,306
15,246 4,595,259 2,107,246 (26,282) 2,122,240 4,250,340 3,228,304 5 6,281,491 5	NET ASSETS						
64 4596,259 4,596,259 2,101,246 2,10	Invested in capital assets, net						
2.107.246 (221.292) 2.107.246 (221.292) 2.122.02 4.203.997 3.226.304 \$ 6.261.491 \$	of related debt		15,246		4,585,259		4,600,505
2,122,462 4,263,907 5,007 101 101 101 101 101 101 101 101 101	Unrestricted		2,107,246		(321,262)		1,785,984
\$ 2,258,304 \$ 6,281,491 \$	Total net assets		2,122,492		4,263,997		6,386,469
	Total labilities and net assets	*	2,258,304	w	8,281,491		8,539,795

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Exhibit H-2

CITY OF NORFOLK, VIRGINIA Combining Statement of Revenues, Expenses and Charges in Fund Net Assets - Internal Service Funds For the Year Ended June 30, 2012

	"	Storehouse	×	Fleet	1	Total
OPERATING REVENUES Charges for services Miscellaneous	60	3,503,194	69	12,178,626	w	15,681,820
Total operating revenues		3,503,919	П	12,285,199		15,789,118
OPERATING EXPENSES Personal services		400,347		2,671,715		3,072,062
Cost of goods sold		2,810,576		7,999,606		10,810,182
Plant operations		9,088		234,441		243,529
Depreciation Retirement and OPEB contributions		67,811		488.440		556,251
Provision for bad debts				77,154		77,154
Other		41,328		1,201,331		1,242,659
Total operating expenses	l	3,333,689		12,964,151		16,297,840
Operating income (loss)	Ц	170,230	Ш	(678,952)		(508,722)
NONOPERATING REVENUE				2.016		2.016
Total nonoperating revenue	H			2,016		2,016
Net income (loss)	ļ	170,230		(676,936)		(506,706)
Change in net assets		170,230		(676,936)		(508,706)
Other Financing Sources Transfers in	ļ	•		849,859		849,859
Net Change in Fund Balance		170,230		172,923		343,153
Net assets-beginning Net assets-ending	6	1,952,262	69	4,091,074	60	6,043,336

## CITY OF NORFOLK, VIRGINIA Combining Statement of Cash Flows - Internal Service Funds For the Year Ended June 30, 2012

	60	Storehouse	M	Management		Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	**	3,503,919	**	11,836,807	**	15,340,726
Payments to suppliers		(2,884,665)		(7,808,978)		(10,693,643)
Payments to employees		(527,324)		(3,289,499)		(3,816,823)
Other payments	ì		į	(1,211,412)	J	(1,211,412)
Net cash used in operating activities	Н	91,930		(473,082)	П	(381,152)
CASH FLOWS FROM NONCAPITAL						
FINANCING ACTIVITIES:						
Interfund transfers in (out)	ŀ	(3.213)	-	232.273	ŀ	229,060
CASH FLOWS FROM CAPITAL AND						
RELATED FINANCING ACTIVITIES:						
Principal paid on capital dette		*		ü		*
Net cash used in capital and			ļ		,	9.8
related financing activities			I		54	
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and dividends			J	2,016	3	2,018
Net cash provided by investing activities				2,016		2,016
Net increase (decrease) in cash and short term investments		88,717		(238,793)		(150,078)
Cash and short term investments - beginning of the year	4	213,218	I	240,515	1	453,733
Cash and short term investments - end of the year	-	301,935	*	1,722		303,657
Reconciliation of Operating Income (Less) to Net Cash Provided by (used in) Operating Activities						
Operating income (loss)	**	170,230	**	(678,952) \$	**	(508,722)
Adjustments to reconcile operating income (loss) to net cash						
provided by (used in) operating activities:						
Depreciation expense		4,539		291,464		296,003
Provision for bad dettis		٠		77,154		77,154
Change in assets and fabilities:						
Receivables, net		٠		(448,392)		(448,392)
Inventories		39,849		11,741		51,590
Vouchers payable		(63,522)		413,328		349,805
Accrued payroll		(\$4,931)		(94,313)		(149,244)
Obligation for Employees' Retirement System		(13,880)				(13,880)
Other labilities	l	9,645	ı	(45,112)		(35,467)
Net cash provided by (used in) operating activities	10	91,930		(473,082)	in	(381,152)

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



Schedule 1 CITY OF NORFOLK, VIRGINIA Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2012

Exhibit I

Description of Americans.  District Payments.  USAN Solvense Food Service Program (\$759)  Food Starter Program - Administration  Food Starter Program - Administration  Food Starter Program - Administration  Material Starter Income.					E SPORTER OF THE SPORT OF THE S
ment of Agriculture		10.559		8,324	
chool Lunch Program		10.553		3,293,694	
Virginia Department of Agriculture, National School Lunch Program (Commodities)		10,556		895,422	
ocal Nutrition Program		10.559		82,204	
Visiona Department of bearts. USDA Summer Food Service Program (SFSP)	Subtotal	10.559	53437	343,535	
Description of Contention of C		11,463		20,303	
Pasternel Field & Wildlife Foundation. Habbat Construction		11,463	2007-0081-019	75,000	
Bay Triat Jaing Shoreline, onservation	Subtotal	11.463	11159	308	
Dispartment of Housing and Urban Development: Direct Payments: Community Development Block Grant		14.218		5,694,688	
Emergancy Shelter Grant Program: ESG Administration		14.231		22,551	
For fods, Inc. Haven Family Services ESG Planning Council SEASION Army		14.231		21,425	
Ecumerical Family Sheber St. Columbia Ecumenical VWCA South Hampton Roads	Subtotal	14.231		23,832 38,190 231,263	
Supportive Housing Program Shelter Plus Care Program		14 238		36,794	
Home Grant Program: HOME CHDO Investment Plan HOME CHDO Obsessins		14.239		09,750	
Homebowner's Rehab Equity		14.239		191,491	
HOME - Rapid Exit Program	Subtotal	14 239		2,660 68,352 958,484	
ARRA - Community Development Block Grant ARRA - Homeless Prevention		14.253			663,035 501,898
se-Trough Paymens. Virgina Department of Housing & Community Development. Neighborhood Stabilization.		14 228		(36,601)	
Department of Justice: Direct Payments: US Marchall Service		16,000		17.76	
mmunity Orented Policing Services. Justice Assistance Grant Edward Byrne Memorial Grant		16.523		141,396	
Bulletproof Vests Grant		16.607		26,427	
rifehure - Special Police Grant		16.922		1,768	***************************************
Andra - Coops Heng Program COPS Heng Program	Subtotal	16.710		75,000 187,185 262,185	000
Justice and Mental Health Collaboration Programs ARRA - Justice Assistance Grant		16.745		14,134	293,327
Pass-Through Payments. Morable Debathment of Circuits Jaciles Services. Averals Accountable Book Grant Averals Accountable Book Grant Edward Byrne Memorial Grant	Subtotal	16.523 16.523 18.523	11-M3212JB09 12-N3213JB10 11-A2140AD07	57,141 5,331 36,139 98,611	
VSTOP Prosecutorial Project VSTOP Prosecutorial Project		16 540	12-Q9223VA11 11-P223VA10	22,819	
Reparting	Subtotal	16.540	10-45997,3009	29,506	

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Exhibit 1

ARRA Expenditures

Federal

Grant/Contract Number CFDA Longloudinal Data Spitterin Marcia Department of Behavioral Health and Development Services. Mental Residence Let Verlander and Perceipper Mental Residence and Perceipper Mental Residence Lety Westernston Control Perceipper ARRA, Charles for Infents, and Families of Behavioral Health and Development Services tance in Transition to Homeless (PATH) 1003g School Inprovement Grant (Award 2009) 1003g School Improvement Grant (Award 2010) 1003g Stats Set Aside e Program McKinney Homeless Assistance 21st Century Community Learning Center Enhancing Education with Tech Phase II Enhancing Education with Tech (WHRO) Early Reading First ARRA - Enhancing Education through Techn ARRA - Educational Technology for ARRA Striving Readers Intervention Department of Energy
Direct Payments:
ARRA - Energy Efficiency and Con-Federal Granting Agency/Recipient Recipient State Agency/Grant pro 3,411,860 2,707,115 8,516 3,884,577 3,891,093 3,432,447 7,426 Federal Expenditures 72,606 Grant/Contract Number U000-122-219 CVS-11-037 20.206 8 8 8 8 4 8 8 4 8 8 4 8 8 4 8 16.579 17,805 Subtotal Subtotal

Operated by LEA's

adonally Deprived Children- Programs of Improvement - Title I ool Improvement Grant - Title

School Assistance in February name.
Plass-Through Psyments.
Violaia Detailment of Education.
Education Consolidation and Improvement Act of 1981:

372,289 4,789,375

1,087,554 650 1,215,603

64,515

Radioomantal Protestion Agency.
Pass-Though Payments.
Virginia Resources Authority. Revolving Loan

FEMA - Assistance to Firefighters Fire Prevention and Safety Grant

Direct Payments.
VETS - Homeless Veterans Program

rederal Granting Agency/Recipient Recipient State Agency/Grant prog

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Education Flow Thru (Federal) Incentive Program for Speech - Language

Handcapped Preschool Incertive Grant ARRA - IDEA Part B, Flow Through ARRA - IDEA Part B Preschool

nce to States for Education of Handicapped

ARRA - Neglected, Delinquent or At-Risk ARRA - Title 1 Part A Entitlements

is Department of Education. Title III:

16,593,639

110,149,134

126,204

### CITY OF NORFOLK, VIRGINIA

## CITY OF NORFOLK, VIRGINIA NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2012

General
The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City, The City of
Norfok single and reporting entity includes the primary government and the School Board and Community Services Board
component units.

Federal awards not received through direct programs are passed through the departments and agencies of the Commonwealth of Virginia.

#### 2. Basis of Accounting

The accompanying schedule of expanditures of federal awards is presented using the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred or measurable. The related revenue is reported net of unexpended amounts returned to gradion:

## Relationship to the Basic Financial Statements Federal award revenue is reported in the City's basic financial statements as follows:

Major governmental funds Major governmental funds Total revenues from federal covernment	•	200 040 00
con-major governmental funds Total revenues from federal government	0	22,046,261
Total revenues from federal government		21,393,709
		43,441,990
Component Unit - School Board		
Total Federal Grants Awarded	66,414,134	
Direct Payments:		
Navy Junior ROTC	382,245	
Erate - Universal Service Funds	431,465	
Medicaid	811,490	
Total - Norfolk Public Schools		68,039,334
Component Unit - Community Services Board		3,020,127
Total federal financial assistance reported in		
basic financial statements	so!	\$ 114,501,451
Federal awards not reported as federal revenue in		
basic financial statements		
Enterprise - VRA Loan - Wastewater Fund		12,202,529
Noreaster Disaster Assistance reimbursement to be received in fiscal year 2013;		
reported on SEFA in fiscal year 2012		85,260
CSA Pool - Medicaid Adjustment		53,270
Build America Bond Interest Rate Subsidy		(89,737)
Total federal awards	50	126,742,773
Reconciliation to Exhibit A-3		
Revenues from federal government	so.	43,441,990
Revenues from Commonwealth of Virginia		118,130,416
I otal intergovernmental revenue	0	\$ 161,572,406

### CITY OF NORFOLK, VIRGINIA

# CITY OF NORFOLK, VIRGINIA NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2012

Clustered programs for the year ended June 30, 2012 were as follows.

	Number	Expenditures
National School Breakfast Program	10.553	3,293,694
National School Lunch Program	10.555	9,076,264
National School Lunch Program (Commodities)	10.556	895,422
USDA School Nutrition Program	10.559	82.204
USDA Summar Food Sarvice Program (SESP)	10.559	ACF R
LICON Commercial Constant December 19700	40 500	100 100
Total Child Nutrition Cluster	10.008	13,617,239
Food Stamp Program - Administration Total Supplemental Nutrition Assistance Program (SNAP) Cluster	10.561	4,408,215
Community Development Block Grants/Entitlement Grants	14 218	5 694 666
ARRA - Community Development Block Grant	14.253	693,035
Total CDBG - Entitlement Grants Cluster		6,387,701
Neighborhood Stabilization Total CD8G - State-Administered CD8G Cluster	14.228	(36,601)
ARRA - Justice Assistance Grant Total JAG Program Cluster	16.804	293,327
ARRA - Citywide Repaying	20 205	3 432 447
Total Highway Planning and Construction Cluster	2	3,432,447
State and Community Safety	20.600	12,000
Selective Enforcement	20.600	32,509
Selective Enforcement	20.600	28,321
Iotal Highway Safety Cluster		72,830
Educationally Deprived Children- Programs Operated by LEA's	84.010	16,450,432
Title 1 Distinguished School - Ocean View	84.010	4,033
School Improvement - Title I	84.010	101,718
Nephrent Delignment Children	84.010	100,001
ARRA - Neglected, Delinquent or At-Risk	84.389	6,516
ARRA - Title 1 Part A Entitlements	84.389	3,884,577
Total Title I, Part A Cluster		20,728,494
Special Education Flow Thru (Federal)	84.027	6,930,564
Virginia Incentive Program for Speech - Language Pathologist	84.027	17,983
Apply IDEA Date From The Grant	84.173	7,426
ARRA - IDEA Part B Preschool	84 392	118.898
Total Special Education Cluster (IDEA)		10,486,731
School Assistance in Federally Affected Areas Total Impact Aid Cluster	84.041	6,403,314
Mental Retardation Early Intervention	84.181	188,544
ARRA - Grants for Infants and Families	84.393	958'09
Total Early Intervention Services (IDEA) Cluster		249,400
McKinney Homeless Assistance Total Education of Homeless Children and Youth Cluster	84.196	25,506
	100000000000000000000000000000000000000	
Enhancing Education with Tech Phase II	84.318	29,191
ARRA - Enhancing Education With 1ech (WHING)	84.386	300,002
ARRA - Educational Technology for ARRA	84.386	3,967
Total Education Technology State Grants Cluster		1,278,695

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### CITY OF NORFOLK, VIRGINIA

# CITY OF NORFOLK, VIRGINIA NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2012

Clusters (continued):	CFDA	Federal
Grant Program / Cluster	Number	Expenditures
003g School Improvement Grants (Award 2009)	84.377	127,399
003g School Improvement Grants (Award 2010)	84.377	1,087,554
003g State Set Aside	84.377	650
ARRA - 1003g School Improvement Funds of ARRA	84.388	2,707,115
Total School Improvement Grants Cluster		3,922,718
Longitudinal Data Systems Total Statewide Data Systems Cluster	84.384	372,289
Temporary Assistance to Needy Families (TANF) Total TANF Cluster	93.558	4,029,868
Payments to States for Child Care Assistance	93.575	1,836,777
Child Development Care Total CCDF Guster	93.596	3,604,406
Medical Assistance Program - Administrative	93.778	2,648,859

Sub-recipients
Federal funds passed through to subrecipients for the year ended June 30, 2012 were as follows:

Federal Granting Agency / Grant Program	Amount
Department of Housing and Urban Development	
Community Development Block Grant (14.218)	3,495,512
ARRA - Homeless Prevention (14.257)	132,128
HOME Grant Program (14.239)	771,048
Emergency Shelter Grant Program (14.231)	200,184
Total Department of Housing and Urban Development	4,598,872
Department of Justice	
ARRA - Justice Assistance Grant (16.804)	49,397
Total Department of Justice	49,397
Department of Health and Human Services	
Temporary Assistance for Needy Families (93.558)	270,494
Child Development Care (93.596)	212,001
HIV/AIDS Grant (93.914)	4,661,760
Total Department of Health and Human Services	5,144,255
Total Payment to Sub-Recipients	9,792,524

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#### SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -

~Special Revenue Funds~

~Internal Service Funds~

~Capital Projects Fund~



## Schedule of Revenues and Expenditures - Budget and Actual Towing and Recovery Operations Special Revenue Fund For the Year Ended June 30, 2012

		Budget	Bud	Actual getary Basis	-67	Positive Negative) Variance
Revenues: Use of money and property Charges for services Intergovernmental - federal Mecolimorous	69	1,517,750	49	1,268,248	69	250 (349,502) 4,804
Total revenue	w	1,704,000	S	1,354,368	w	(349,632)
Expenditures: Towing and recovery	w	1,704,000	•	1,687,646	w	16,354

## Schedule of Revenues and Expenditures - Budget and Actual Storm Water Utility Special Revenue Fund For the Year Ended June 30, 2012

		Budget	Buc	Actual getary Basis	-67	Positive Negative) Variance
Revenues: Use of money and property Charges for services Intergovernmental - federal Miscellaneous	44	2,400	69	11,348 12,147,735 94,933 45,330	60	8,948 (349,865) 94,933 45,330
Total revenue	w	12,500,000	63	12,299,346	w	(200,654)
Expenditures: Storm water	w	12,500,000	w	12,552,334	so.	(52,334)

#### CITY OF NORFOLK, VIRGINIA

## Schedule of Revenues and Expenditures - Budget and Actual Golf Special Revenue Fund For the Year Ended June 30, 2012

Revenues:		Budget	Bud	Actual getary Basis	2>	(ariance
Charges for services Use of money and property Transfer in	60	1,143,800 84,000 250,000	w	1,063,023	s,	17,487
Total revenue	S	1,477,800	w	1,414,510	w	(63,28
Expenditures: Operations	69	1,477,800	so	1,418,969	w	58,831

## Schedule of Revenues and Expenditures - Budget and Actual Emergency Operations Special Revenue Fund (EOC 911) For the Year Ended June 30, 2012

		Budget	Bud	Budgetary Basis	ैं	/ariance
Revenues: Other local taxes	45	3.571.596	s	3.571.596	**	
Charges for services	50	2,000		3,534		1,534
Recovered cost		1,366,173		1,702,654		336,481
Intergovernmental - federal		63,617		4		(63,617
Rollover from last year		634,840		172,845		(461,995)
Transfer in		367,374		424.374		57,000
Total revenue	w	6,005,600	w	5,875,003	w	(130,597)
Expenditures: Operations	40	6,005,600	40	5,811,411	•	194,189
					l	

#### CITY OF NORFOLK, VIRGINIA

Exhibit J-1

Schedule of Revenues and Expenditures - Budget and Actual Cemeteries Special Revenue Fund For the Year Ended June 30, 2012

		Budget	Bud	Actual Budgetary Basis	51	Positive Vegative) /ariance
Revenues: Charges for services Miscellaneous Transfer in Rollower from last wear	w	1,118,773 363,587 300,000 200,000	w	842,685 320,170 300,000 322,694 264,540	w	(43,417)
Total revenue	w	2,246,900	60	2,050,089	60	(196,811)
Expenditures: Operations	w	2,246,900	69	1,790,313	40	456,587

## Schedule of Revenues and Expenditures - Budget and Actual Public Amenities Special Revenue Fund For the Year Ended June 30, 2012

201		Budget	Bud	Actual Budgetary Basis	-	Positive Negative) Variance
Revenues: Taxes-Hotel & Restaurant	10	5,210,700	w	5,490,067	w	279,367
Expenditures: Transfer out (CIP)	s)	1,000,000	69	1.000.000	us.	
Transfer out (Debt Service)		194,750		194,750		4
Tourism Opportunity Grants		800,000		500,000		,
All purpose		3,515,950		500,000		3,015,950
Total expenditures	5	5,210,700	s	2 194 750	S	3.015.950

#### CITY OF NORFOLK, VIRGINIA

Schedule of Revenues and Expenditures - Budget and Actual Tax Increment Financing Special Revenue Fund For the Year Ended June 30, 2012

		Budget	Bud	Actual dgetary Basis	S S	Vegative)
axes-real property se of money and property ollover from last year	w	2,799,321	v9	2,799,321	w	. 4-
tal revenue	w	3,081,900	w	3,081,905	w	2
tures: ervice er out	49	878,939	49	876,438	40	2,501
tal expenditures	w	3,081,900	w	3,079,399	s	2,501

	ļ	Budget	Bud	Actual getary Basis	5	Negative)
Kevenues: Use of money and property Charges for services Miscellaneous & recovered costs Other Sources and Transfer in	w	12,417,084	69	2,016 12,178,626 106,573 849,859	w	2,016 (238,458) (51,343) 849,859
Total revenue	s,	12,575,000	w	13,137,074	50	562,074
Expenditures: Fleet	w	12,575,000	60	13,328,774	60	(753,774)

Schedule of Revenues and Expenditures - Budget and Actual Storehouse Internal Service Fund For the Year Ended June 30, 2012

\*The difference in revenue and expenditures per this schedule compared to Exhibit H-2 represents cost of goods sold which is not included in the operating budget.

## CITY OF NORFOLK, VA Schedule of Expenditures - Budget and Actual - Capital Projects Fund From Inception and for the Year Ended June 30, 2012

Exhibit J-3

ts ts state of the control of the co		516.228 \$ 9,780,943 72,716 900.671 227,442 106.508 11,623,921 11,623,921 418,173 2,013,280 34,183	12,692,482 \$ 71,697,688 1,2,199,205 1,967,288 7,260,801 246,905 192,402 106,546,751	702,518
13,695,000	.,	150	N M M M = 10 N =	702,518
13655 000	w	81.11	N	702,518
An Octob Context without Agents and Control Co		9,780,943 77,276 900,671 227,452 106,562 11,623,921 11,623,921 2,013,260 34,193	71,697,688 12,199,205 1,967,268 7,260,801 246,905 192,402 106,546,751	
unity Development Total  Tot		7(2,716 900,671 227,432 106,508 116,422 11,623,921 21,884 418,173 2,013,289 34,185	12,199,205 1,967,268 7,260,801 246,905 192,402 106,546,751	9,758,626
Tool of Decess that you were the second service Areas areas Service Areas Serv		277,422 276,508 106,508 11,623,921 11,623,921 21,884 418,173 2,013,280 34,193	7,260,801 246,905 192,402 108,546,751	3,138,785
unity Development Total  Too continues in provements  Of Chrysler Hall improvements  Ale Amenical improvements  Of Series Memorial Improvements  In Facilities Total  In Facilities Total  In Facilities Total  In Facilities Total  In Expendiopment  In Expendiopment  In Expendiopment  In Expendiopment  In Expendiopment  In Expendiopment Total  In Expendiopment Total  In Chrysler		106,302 106,402 11,623,921 11,623,921 21,884 418,173 2,013,260 34,193	7,200,001 246,905 192,402 106,546,751	332,732
unity Development Total  (Totales Hall Improvements of Orbitals Hall Improvements of Marinina Center Improvements of Property of Orbitals Hall Improvements of Marinerance of Marinerance Orbitals Hall Improvements of Marinerance of		100,300 11,623,921 21,884 418,173 2,013,260 34,193	192,402	2,041,199
unity Development Total  d'Christer Hall Improvements  d'Christer Hall Improvements  d'Christer Hall Improvements  d'Organisment  d'American Improvements  de Center  American Improvements  American Improvements  American Center Improvements  al Facilities Total  and Excellent Control  center Improvements  and Excellent Control  and Con		21,884 418,173 2,013,260 34,193	106,546,751	2,598
of Chryster Hall Improvements  of Christer Harbon Improvements  February Harbon Improvements  February Harbon Improvements  ornal Improvement  ornal Improvement  ornal Improvement  ornal Improvement Total  in Redevelopment  ornal Center Development  ornal Center Development  ornal Center Development  ornal Center Service  ornal Improvements		21,884 418,173 2,013,260 34,193		16,979,563
The Reavourdions of Chryster History of Chryster History Charles of Chryster History Charles of Chryster History Engineering Sea Center Improvements of Chryster History Engineering Sea Center Improvements history Engineering Sea Center Improvements had an Engineering Sea Federal Improvements and Pacificate Total Federal Improvements and Pacificate Total Chairs Terminal Development of Engineering The Reduction Christ Property of Sea Reducedopment on Center Development on Center Sea Center Department on C		21,884 418,173 2,013,260 34,193		
all improvements revenuents revenuents reprovements for provements reprovements reprovements reprovements remains for		418,173 2,013,260 34,193	+30 76+	/B 4331
overnents  Immersis  Immovements  Improvements  good  coal		2,013,260	12 967 239	1 097 761
ments and provenents for provenent for provenent for the pro		34,193	444 969	43 208
First Covernents  Personements  Operating  O		34,193	510,005	1 573
Proportion of the Property 3 and 2 before the Property 3 and 3 before the Property 3 before the Property 3 and 3 before the Property 3 before the Prop		200	14 949 156	46 569 930
provements rements rements odal odal odal odal odal odal odal odal		00/	404,856	144
the Improvements  chain City Property  3  chain City Property  3  and Development  3  and Development  3  and Development  4  feat forth  feat forth  feat and Valion Implementation  gives  an Valion Implementation  forth  fort		2,068,564	2,116,006	8,994
vements data City Property 3 and Development and Development interest Total ment Total not Total not Total opers of Water Ingementation ormunication System Upgrade ormunication Program ments not State Total objects not be seen or total organism or total organism o		775,428	3,529,218	65,782
odal de Criy Property 3 and Development 3 annoment rotal ent Total ment Total coloure 1 0 od yes y Generation Program an Valion Implementation y Generation Program noments		364,741	2,818,452	3,435,540
odal dae City Property 3 ment and Development 4 ment Total ment Total flosure 0 opeds an Vision Implementation on Walson Implementation on Walson Implementation on manufacture on ment on Program ments on Program on Progr		67,944	2,508,589	1,768,411
abob City Property  aborated primert  aborated primert  ment Total  aborate	27/03/6	5,764,952	44,357,150	52,983,211
and Development and Total and	17036			
and Development and Development and Development the sent foral ment Total floar.  Incomment Total floar.  So opiects and Vision Implementation or an Valian Implementation or an Valian Implementation Program ments in the sent floar flo		3,936,607	33,051,323	3,111,593
ment Total ment Total ment Total ment Total ment Total co- continuities of System Upgrade of System Upgrade of System Upgrade of System Upgrade for System Upgrade for System Upgrade for System Upgrade for System Upgrade		132,804	38,183,899	166,471
ment Total ment Total logure ca an Valor Implementation an Implementation and an Implementation an		-	70,882	929,118
ment Total ment Total loeure loeure loeure loeure loeure loeure loe on Walcol Implementation ormunication System Upgrade 4 dismension Program ments in the Branch loeure l		877,392	3,553,102	1,821,898
floaure 1 floaure 1 floaure 1 floaure 1 floair implementation of spalen Upgrade 1 floaurentation Program 1		2 598 223	3,750,858	45,222
Jobure ca ca ca an Valor Implementation an Valor Implementation of more and an organ	7	7,545,026	82,614,842	6,379,762
loeure to commission or a Vision Implementation or an Vision Implementation System Upgrade 4 y Generation Program ments no for the commission Program or the comments of the c				
co co communication ormunication System Upgrade ormunication Program for Sensation Program for Sensation Program for Sensation Program		000	4 760 000	. 044 040
ca opieds ormunication System Upgrade ormunication System Upgrade y Generation Program ments	1,102,020	00,430	1,230,830	075 077 7
olycide and Value Implementation and Value Implementation System Upgrade Advantages by Generation Program Advantages Branch 13 Advantages 13 Advantages 14 Advantages 14 Advantages 15 A		954 660	3 594 023	(3 594 023)
ojojska na Vision Implementation formunication System Upgrade of Coensation Program ments nord nord to Banch 1	/ 4-	7.504	5,900,407	9.510
in Valior Implementation ommunication System Upgrade  4  4  4  4  4  4  4  4  4  4  6  6  6		729,208	3,326,299	608,701
ommunication System Upgrade	eri	250,119	4,025,142	2,574,858
6 Generation Program moneta moneta moneta moneta 1	236,761	4,220,653	4,457,414	1,442,586
y Generation Program ments note note that the fanch the sament the sement the sament the same	2	7.016.057	36 780 652	6.822.852
y Generation Program ments nnoe hor Branch 1				
- 0	920 258	040	568 170	0880
- 60	6	69,077	3 810 812	525,313
- 6		1,149,855	6.622,216	102,784
	-	5,096	10,297,655	178,583
	19,689,756	452,236	20,141,992	1,600,008
Courts Replacement and Renovations 93,316,181	12,469,330	9,201,657	21,670,987	71,645,194
		52,170	785,257	170,179
			8,400,542	13,584
ovations	3,525,931	394,069	3,920,000	305,593
Lybound 1 200 to 1 20	1 482 798	284 464	1 787 280	153.240
		105 936	5 550 000	1,000
10	Ť	3,311,551	17,168,332	40,581,568
nent Center Plaza		79,911	590,302	96,198
Other 8,437,971	1 4,334,164	1,131,200	5,465,364	2,972,607

120

121

CITY OF NORFOLK, VA Schedule of Expanditures - Budget and Actual - Capital Projects Fund From Inception and for the Year Ended June 30, 2012

Parks/Recreational Facilities Zoo Master Plan Tillation Recreation Center Improvements Transcond Conduction	Project	ಕ ತಿ	Deloc Vanne	1	1000	Available
VRecreational Facilities  Zoo Master Plan Thistown Recreation Center Improvements		10	Prior Teams	Current	Total	PARTITION AND ADDRESS OF THE PARTIES AND ADDRESS
Zoo Master Plan Titustown Recreation Center Improvements						
Titustown Recreation Center Improvements	\$ 27,153,500	\$ 0	24,094,548 \$	334,468 \$	24,429,016 \$	2,724,484
Defenies Outstan	550,000	0	208.961	000	208 961	341 039
DOCUMENT CONTROL	1 994 414		1.486.206		1 486 208	508 208
Existing Recreation Center Improvements	10 314 225	45	7 999 084	1 099 588	9.098.652	1215 573
Noniou Perception Center	7 040 500	, ,	7 804 478	248 884	7047 756	244
Tombod's Doint Community & December of Center	900,000,0	9 9	0 1 1 0 0 1	240,000	001,140,1	200000
Lambert & Point Community & Recreational Certer	20,808,0	0 0	017,040,0	00000	0,030,330	212,030
Harbor Park Improvements	475,000	0	277,109	57,317	334,426	140,574
Athletic Field Renovations	2,734,000	0	1,778,160	730,998	2,509,158	224,842
Norfolk Fitness & Wellness Center Renovations	1,808,670	0	1,674,039	126,183	1,800,222	8,448
Broadcreek & Westside Neighborhood Parks	2 825 709	ø	2 392 557	77.455	2 470 012	155 897
Town Boint Barle Improvements	11 525 000		44 A70 237	8 543	44 470 740	48.384
Committee on the state of the s	0000000		10000	2000	0,170,11	10,01
Martin Luther King Park	123,000	0	116,020	100000000000000000000000000000000000000	116,020	6,980
Waterside Waterfront Renovations	608,600	0	346,116	262,125	608,241	328
Ingieside Gymnasium	1,936,000	0	109,850	799,299	909,149	1,026,851
Other	11,435,415	2	3,380,998	2,347,746	5,728,744	5,706,671
Parks/Recreational Facilities Total	88,142,059	6	69,575,770	6,245,932	75,821,702	12,320,357
9000						
Blair Middle School Replacement	3.434.000	0	3 400 739	33 182	3 433 921	29
Norfolk Public School Initiative	5 265 000		5 263 458	100	5 263 456	1 544
Nonciew Construction	29,885,659	9 0	20 885 RSQ		20.865,650	
Southeide Middle School	2 250 000		2000000		000,000,00	2 250 000
High School Athletic Field	1,500,000	, 0	1 405 001		1 405 001	000,000
Coleman Disca Flormantary Daylacomani	050 015 05		885 000 00	37 075	20 240 443	60.617
Committee Committee Defendence	000,010,000	) u	20,606,300	270'14	20,243,413	110,00
Crossicada Elementary Replacement	20,010,02	0 1	188'#08'0	220,040,000	816,001,12	900'077'61
Cag	470'046'41		1,000,007,1	2997,06,0	13,573,753	173,077
Schools Total	113,842,038	80	74,448,201	20,533,611	94,981,812	18,860,226
Storm Water						
Storm Water Quality Improvements	10.270.000	0	5 405 211	2.851.565	8 256 776	2 013 224
Storm Water Facility Improvements	1,650,000		1 618 284	24 509	1 640 793	9 207
Old Dominion University Master Plan	414 000	. 0	403 765	10,235	414 000	1040
Drain Line Clean & Slip Lining	697 267	7	695 843		695 843	1 424
Neighborhood Flood Reduction	11 466 000	. 0	R 660 621	1 568 392	10 229 013	1 236 987
Bulkhaading Master Project	3 100 000	, c	1 500 520	420,000,	2028 200 5	1020,000
Other	500,000		4 000	000'000	4,000	498,000
Storm Water Total	28 097 267	1	18 286 253	4 984 051	23 270 304	4 828 963
Transportation	00000		00000000		400 000 0	-
Old Dollmings Onlyersally Massion Plant	000'004'0	2 1	0,403,230	0,017	0,481,003	(50,233)
VDO! Urban Support Program	10,893,512	7	180,108,7	1/2,154	8,073,751	2,919,761
Bridge Maintenance & Repair Program	21,346,208	9	12,157,938	1,767,465	13,925,403	7,420,805
Signal & Intersection Enhancements	9,108,123	3	5,803,466	745,330	6,548,796	2,559,327
Citywide Soundwall Program	4,219,784	*	3,982,003	136,555	4,118,558	101,226
Neighborhood Streets Improvements	46,599,542	2	28,207,177	4,178,472	32,385,649	14,213,893
Atlantic City Development	12,575,000	0	8,632,779	1,140,909	9,773,688	2,801,312
Citywide Boat Ramp Improvements	1,943,857	1	1,927,357	291	1,927,648	16,209
Construct Light Rail	74,117,974	4	61,021,940	8,266,722	69,288,662	4,829,312
Develop Multi-Modal Transfer Station at Harbor Park	3,606,000	0	363	466,837	467,200	3,138,800
Other	14,966,191		9,669,037	2,052,967	11,722,004	3,244,187
Transportation Total	207,939,79		147,786,893	18,936,319	166,723,212	41,216,579
Grand Total	\$ 1018 667 400 \$	8 0	638 960 311 \$	98 892 003 \$	737.852.314 \$	280 815 088

\* Note: Some prior year amounts were reclassed to reflect proper classification

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APPENDIX B

FORMS OF BOND COUNSEL OPINIONS

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel. It is preliminary and subject to change prior to the delivery of the 2013A Bonds.

[Letterhead of McGuireWoods LLP]

November 7, 2013

Mayor and Council of the City of Norfolk, Virginia Norfolk, Virginia

# S130,990,000 City of Norfolk, Virginia General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt)

Ladies and Gentlemen:

We have served as bond counsel to the City of Norfolk, Virginia (the "City") in connection with the issuance and sale by the City of its \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt) (the "2013A Bonds"), dated the date of their delivery.

In connection with this opinion, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) copies of proceedings and other documents relating to the issuance and sale of the 2013A Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to the opinions, we have relied upon (i) representations of the City, including, without limitation, representations as to the use of proceeds of the 2013A Bonds, (ii) certifications of public officials furnished to us, and (iii) certifications and representations contained in certificates of the City and others delivered at closing, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence,

and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

- The 2013A Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.
- 2. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the 2013A Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.
- 3. Interest on the 2013A Bonds, including any accrued "original issue discount" properly allocable to the owners of the 2013A Bonds, (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific tiem of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations. However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code, interest on the 2013A Bonds must be included in computing adjusted current earnings. The "original issue discount" on any 2013A Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the 2013A Bonds of the same maturity was sold. The "public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the 2013A Bonds.

In delivering this opinion, we are (i) relying upon and assuming the accuracy of certifications and representations of representatives of the City and certain affiliated parties as to facts material to the opinion, and (ii) assuming continuing compliance with the Covenants (as defined below) by the City, so that interest on the 2013A Bonds will remain excludable from gross income for federal income tax purposes. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2013A Bonds in order for interest on the 2013A Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2013A Bonds and the use of the property financed or refinanced by the 2013A Bonds, limitation on the source of the payment of and the security for the 2013A Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2013A Bonds to the United States Treasury. The tax certificates and related documents for the 2013A Bonds (the "Tax Certificates") contain covenants (the "Covenants") with which the City and certain affiliated parties have agreed to comply. Failure to comply with the Covenants could cause interest on the 2013A Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available

enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2013A Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the 2013A Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. We express no opinion concerning any effect on the excludability of interest on the 2013A Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the 2013A Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the 2013A Bonds under the laws of the Commonwealth, or (ii) any consequences arising with respect to the 2013A Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

Our services as bond counsel to the City have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the 2013A Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the 2013A Bonds in making a decision to purchase the 2013A Bonds.

Very truly yours,

To be signed: McGuireWoods LLP

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel. It is preliminary and subject to change prior to the delivery of the 2013B Bonds.

### [Letterhead of McGuireWoods LLP]

November 7, 2013

Mayor and Council of the City of Norfolk, Virginia Norfolk, Virginia

# \$81,715,000 City of Norfolk, Virginia General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable)

Ladies and Gentlemen:

We have served as bond counsel to the City of Norfolk, Virginia (the "City") in connection with the issuance and sale by the City of its \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) (the "2013B Bonds"), dated the date of their delivery.

In connection with this opinion, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) copies of proceedings and other documents relating to the issuance and sale of the 2013B Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to the opinions, we have relied upon (i) representations of the City, including, without limitation, representations as to the use of proceeds of the 2013B Bonds, (ii) certifications of public officials furnished to us, and (iii) certifications and representations contained in certificates of the City and others delivered at closing, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

- The 2013B Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.
- 2. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the 2013B Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.
- Interest on the 2013B Bonds is includible in the gross income of the owners of the 2013B Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences with respect to the 2013B Bonds.
- 4. Interest on the 2013B Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the 2013B Bonds under the laws of the Commonwealth, or (ii) any consequences arising with respect to the 2013B Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

IRS Circular 230 Disclosure: To comply with certain U.S. Treasury regulations, we inform you that, unless expressly stated otherwise, any U.S. federal tax advice contained in this communication, including attachments was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on such taxpayer by the Internal Revenue Service. In addition, if any such tax advice is used or referred to by other parties in promoting, marketing or recommending any partnership or other entity, investment plan or arrangement, then (i) the advice should be construed as written in connection with the promotion or marketing by others of the transaction(s) or marter(s) addressed in this communication and (ii) the taxpayer should sake advice based on the taxpayer's particular circumstances from an independent tax advisor.

Our services as bond counsel to the City have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the 2013B Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the 2013B Bonds in making a decision to purchase the 2013B Bonds.

Very truly yours,

To be signed: McGuireWoods LLP

B-5

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel. It is preliminary and subject to change prior to the delivery of the 2013C Bonds.

### [Letterhead of McGuireWoods LLP]

November 7, 2013

Mayor and Council of the City of Norfolk, Virginia Norfolk, Virginia

# \$2,470,000 City of Norfolk, Virginia General Obligation Qualified Energy Conservation Bonds, Series 2013C (Taxable)

Ladies and Gentlemen:

We have served as bond counsel to the City of Norfolk, Virginia (the "City") in connection with the issuance and sale by the City of its \$2,470,000 General Obligation Qualified Energy Conservation Bonds, Series 2013C (Taxable) (the "2013C Bonds"), dated the date of their delivery.

In connection with this opinion, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) copies of proceedings and other documents relating to the issuance and sale of the 2013C Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to the opinions, we have relied upon (i) representations of the City, including, without limitation, representations as to the use of proceeds of the 2013C Bonds, (ii) certifications of public officials furnished to us, and (iii) certifications and representations contained in certificates of the City and others delivered at closing, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

- The 2013C Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.
- 2. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the 2013C Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.
- 3. Interest on the 2013C Bonds is includible in the gross income of the owners of the 2013C Bonds for federal income tax purposes as required under Section 6431(f)(1)(D) of the Code. We express no opinion regarding any other federal tax consequences with respect to the 2013C Bonds.
- 4. Interest on the 2013C Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the 2013C Bonds under the laws of the Commonwealth, or (ii) any consequences arising with respect to the 2013C Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

IRS Circular 230 Disclosure: To comply with certain U.S. Treasury regulations, we inform you that, unless expressly stated otherwise, any U.S. federal tax advice contained in this communication, including attachments was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on such taxpayer by the Internal Revenue Service. In addition, if any such tax advice is used or referred to by other parties in promoting, marketing or recommending any partnership or other entity, investment plan or arrangement, then (i) the advice should be construed as written in connection with the promotion or marketing by others of the transaction(s) or matter(s) addressed in this communication and (ii) the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Our services as bond counsel to the City have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the 2013C Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the 2013C Bonds in making a decision to purchase the 2013C Bonds.

Very truly yours,

To be signed: McGuireWoods LLP

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APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of November 7, 2013 (the "Closing Date") by the City of Norfolk, Virginia (the Ordinance, the City approved the offering and sale of the Bonds to the public pursuant to an Official Statement relating to the Bonds, dated October 17, 2013 (the "Official Statement"). The 'City"), in connection with the issuance by the City of its \$130,990,000 General Obligation Bonds and the 2013B Bonds, the "Bonds"), pursuant to Ordinance No. 45,247 and Ordinance the City, together with other available funds, to (i) finance capital projects, (ii) refund certain outstanding bond anticipation notes, parking revenue bonds and general obligation bonds of the City and (iii) pay the underwriters' discount and costs of issuance of the Bonds. Pursuant to the City has determined that it constitutes an "obligated person" within the meaning of the Rule, as hereinafter defined, with respect to the Bonds and, accordingly, hereby represents, covenants and Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt) (the "2013A Bonds"), \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) (the "2013B Bonds") and \$2,470,000 General Obligation Qualified Energy Conservation Bonds, Series 2013C (Taxable) (the "2013C Bonds" and together with the 2013A No. 45,262, adopted by the City Council of the City on September 10, 2013, and October 8, 2013, respectively (collectively, the "Ordinance"). The proceeds of the Bonds are being used by agrees as follows:

Section 1. <u>Definitions</u>. In addition to the definitions set forth elsewhere in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year of the City means the following:

- (i) the financial statements (consisting of at least a statement of net assets, a statement of cash flows and a statement of revenues, expenses and changes in fund net assets for all governmental/enterprise funds) of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this Disclosure Agreement will prohibit the City after the date of the Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and
- (ii) updates of the operating data contained in the sections in the Final Official Statement "Table II-3, Key Debt Trends," "Table II-6, Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Poperty," "Table III-2, Assessed Valuations and Estimated Actual Values of Taxable Property," "Table III-5, Assessed Valuation and Change in Property Tax Levy," "Table III-6, Real and Personal Property Tax Levies and Collections," "Table III-7, Ten Principal Real Property Taxpayers" and "Table III-14, Comparative Statement of Revenue and Expenditures, General Fund."

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the City and the results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond. "Make Public" or "Made Public" has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" shall mean the U.S. Securities and Exchange Commission.

Section 2. Purpose of the Disclosure Agreement; Representation. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and in order to assist the Participating Underwriters in complying with the Rule. The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

Section 3. <u>Obligations of the City</u>. (a) The City shall complete the preparation of the Annual Financial Information with respect to any Fiscal Year of the City not later than 270 days after the end of such Fiscal Year. (b) The City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), the Annual Financial Information within 30 days after it is prepared in final form. (c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;

- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancement maintained with respect to the Bonds reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 - TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds:
- (vii) modifications to rights of Holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the City;\*
- (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Provided that nothing in this subsection (c) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(d) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if other than the City), in a timely manner, notice of a failure of the City to

provide the Annual Financial Information, on or before the date specified in this Disclosure Agreement.

(e) The City shall notify the MSRB of any change in its Fiscal Year not later than the date on which it first provides any information to the MSRB in the current Fiscal Year. Section 4. Information Made Public, Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB, in an electronic format as prescribed by the MSRB. Should the SEC approve any additional or subsequent filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable SEC regulation or release approving such filing to such as the statement of the system.

Section 5. <u>Incorporation by Reference.</u> Any or all of the Annual Financial Information may be incorporated by specific reference from other documents, including official statements containing information with respect to the City, which are available to the public on the internet website of the MSRB or filed with the SEC. The City shall clearly identify each such other document so incorporated by reference.

Section 6. CUSIP Numbers, The City shall reference, or cause the Dissemination Agent (if not the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

Section 7. Termination of Reporting Obligation. The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

Section 8. <u>Dissemination Agent.</u> The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

Section 9. <u>Identifying Information.</u> All documents provided to the MSRB hereunder shall be accompanied by identifying information as prescribed by the MSRB.

Section 10. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and to the Participating Underwriters for the Bonds to the effect that such amendment is permitted or required by the Rule.

Section 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(c), in addition to that which is required by this Disclosure

<sup>•</sup> The event is considered to occur when any of the following occur. the appointment of a receiver, fiscal agant or similar officer for the City in a proceeding under the U.S. Bankingtoy Code or in any other proceeding under the U.S. Bankingtoy Code or in any other proceeding under the U.S. Bankingtoy Code or in any other proceeding under the U.S. Bankingtoy code or cause to assumed that the cut of the City, or if such jurisdiction has been assumed by Having the existing governing body and officials or efficies in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or recent programment or liquidation by a court or governmental authority having supervision or jurisdiction over abstantially all of the assets or boundaries of the City.

Agreement. If the City chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(c), in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

Section 12. <u>Default.</u> Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or any other debt authorization of the City, or any Bond and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and the Holders and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Continuing Disclosure Agreement on behalf of the City of Norfolk, Virginia, as of the Closing Date.

### CITY OF NORFOLK, VIRGINIA

Marcus D. Jones City Manager, City of Norfolk, Virginia

By:

By:
Alice M. Kelly
Director of Finance, City of Norfolk, Virginia

Approved as to Form and Correctness:

Office of the City Attorney City of Norfolk, Virginia [Signature Page to Continuing Disclosure Agreement]

9-O

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

### BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants, as hereinafter defined, or Beneficial Owners, as hereinafter defined, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million instruments (from over 100 countries) that DTCs participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Securities Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds (the "Beneficial Owner") is in turn to be recorded on the Direct Participants and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds is discontinued.

To facilitate subsequent transfers, the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial

ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTCs practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to a Bond unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (an "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those about 2 participants to whose accounts such Bond is credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the brond registrac counts upon DTC's receipt of funds and corresponding detail information from the City or the brond registrac rounds purched by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with scentricise held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participants or Indirect Participant and not of DTC, the City or the bond registra and paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of recelemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the bond registrar and paying agent, disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants and Indirect

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the bond registrar and paying agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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Neither the City nor the bond registrar and paying agent has any responsibility or obligation to the Direct Participants or Indirect Participants or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (ii) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (iii) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted to be given to such owners; or (iv) any other action taken by DTC, or its nominee, Cede & Co., as Holder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the holders of the Bonds or Bondholders mean Cede & Co. and not the Beneficial Owners, and Cede & Co. will be treated as the only Holder of the Bonds.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.



#### APPENDIX C FORM OF OPINION OF BOND COUNSEL



March \_\_\_, 2014

Mayor and Council of the City of Norfolk, Virginia Norfolk, Virginia

#### City of Norfolk, Virginia, General Obligation Variable Rate Demand Bonds, Series 2007

#### Ladies and Gentlemen:

We have served as bond counsel to the City of Norfolk, Virginia (the "City"), in connection with the remarketing of the City of its General Obligation Variable Rate Demand Bonds, Series 2007 (the "Bonds"), pursuant to the terms of an Amended and Restated Indenture of Trust dated as of August 1, 2009 (the "Indenture"), between the City and Regions Bank, as trustee (the "Trustee").

The Bonds are being remarketed in accordance with the Indenture because the City is entering into a Standby Bond Purchase Agreement dated as of March 1, 2014 (the "Standby Bond Purchase Agreement"), between the City, Royal Bank of Canada (the "Bank") and the Trustee, which Standby Bond Purchase Agreement is expected to provide liquidity support for the Bonds (collectively, the "Transactions").

The Bonds were originally issued pursuant to the terms of an Indenture of Trust dated as of March 1, 2007, between the City and the Trustee and were reissued on August 27, 2009, pursuant to the Indenture.

In connection with this opinion, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the City as we have deemed necessary to render the opinions contained herein.

As to questions of fact material to the opinions, we have relied upon (i) representations of the City, including, without limitation, representations as to the use of proceeds of the Bonds, (ii) certifications of public officials furnished to us and (iii) certifications and representations

contained in certificates of the City and others delivered at closing, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than the City, and we have further assumed the due organization, existence, and powers of all parties other than the City.

Based on the foregoing, in our opinion, under current law:

- 1. The City is a political subdivision of the Commonwealth.
- 2. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City.
- 3. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of, premium, if any, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.
- 4. The execution and delivery of, and the performance by the City, the Bank and the Trustee of their respective obligations under the Standby Bond Purchase Agreement and the undertaking and completion of the Transactions will (i) have no adverse effect on the excludability of the interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Code and (ii) will not cause interest on the Bonds to be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under Sections 56 and 57 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The opinions set forth in the preceding paragraph are subject to the compliance by the City with all of the requirements of the Code that must be satisfied after the date hereof to maintain the federal income tax status of the Bonds and the interest thereon under the Code as described in the preceding paragraph. The City has covenanted to comply with each of these requirements. Failure to comply with certain of these requirements may cause the loss of such status to be retroactive to the date of issuance of the Bonds.

The City may take certain actions or omit to take certain actions, and we express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes of any such subsequent action that may be taken or omitted upon the advice or approval of counsel other than this firm.

Except for the above-described matters on which we have rendered our opinion, we have undertaken no investigation into and express no opinion with respect to other events, actions or omissions, including any actions or omissions by the City, that may have occurred and had an adverse effect on the federal income tax status of the Bonds or the interest thereon. This opinion is not intended to be an update or reissuance of our opinion rendered with respect to the Bonds on their original date of issuance or their date of reissuance. In addition, nothing contained herein shall be construed as an opinion as to any tax consequences of purchasing or holding the Bonds other than as specified above.

Our services as bond counsel to the City have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information, including the Remarketing Circular of the City dated March 12, 2014, that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,



#### APPENDIX D

ROYAL BANK OF CANADA DISCLOSURE STATEMENT



Royal Bank of Canada (referred to in this section as "Royal Bank") is a Schedule I bank under the *Bank Act* (Canada), which constitutes its charter and governs its operations. Royal Bank's corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec H3C 3A9, Canada. Royal Bank is the parent company of RBC Capital Markets, LLC, the Remarketing Agent.

Royal Bank is Canada's largest bank, and one of the largest banks in the world, based on market capitalization. Royal Bank is one of North America's leading diversified financial services companies and provides personal and commercial banking, wealth management services, insurance, investor services and capital markets products and services on a global basis. Royal Bank and its subsidiaries employ approximately 79,000 full- and part-time employees who serve more than 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 42 other countries.

Royal Bank had, on a consolidated basis, as at January 31<sub>±</sub> 2014, total assets of C\$904.7 billion (approximately US\$812.3 billion\*), equity attributable to shareholders of C\$49.7 billion (approximately US\$44.7 billion\*), and total deposits of C\$590.4 billion (approximately US\$530.1 billion\*). The foregoing figures were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been extracted and derived from, and are qualified by reference to, Royal Bank's unaudited Interim Consolidated Financial Statements included in Royal Bank's quarterly Report to Shareholders for the fiscal period ended January 31, 2014.

The senior long-term unsecured debt of Royal Bank has been assigned ratings of AA- (stable outlook) by Standard & Poor's Ratings Services, Aa3 (stable outlook) by Moody's Investors Service and AA (stable outlook) by Fitch Ratings. Royal Bank's common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange under the trading symbol "RY." Its preferred shares are listed on the Toronto Stock Exchange.

Upon written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Remarketing Circular is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank of Canada, by writing to 200 Bay Street, 4<sup>th</sup> Floor, North Tower, Toronto, Ontario M5J 2W7, Canada, or by calling (416) 955-7802, or by visiting rbc.com/investorrelations.

The delivery of this Remarketing Circular does not imply that there has been no change in the affairs of Royal Bank since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.

<sup>\*</sup>As at January 31, 2014: C\$1.00 = US\$0.897827



#### **APPENDIX E**

CITY OF NORFOLK, VIRGINIA GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013





KPMG LLP Suite 1900 440 Monticello Avenue Norfolk, VA 23510

### Independent Auditors' Report

The Honorable Members of City Council City of Norfolk, Virginia:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia, (the City), as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as histed in the table of contents.

# Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

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Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comproller General of the United States; and the Specifications for Audits of Counties, Cities, and Towns (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our

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#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, , the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 18, the schedules of revenue, and budgetary comparison schedules on pages 98 through 100, and the Schedule of Funding Progress on page 97. be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Other Suplementary Information, Introductory Section, and the Statistical Section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory section and Statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



# Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 on our consideration of the City of Norfolk, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Norfolk, Virginia December 23, 2013

# MANAGEMENT'S DISCUSSION

### AND ANALYSIS

(Unaudited)



# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 39, 2013

The management of the City of Norfolk (the "City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. As readers, you are encouraged to read this discussion and analysis in conjunction with the transmittal letter and City's financial statement information included in this report. Initiate of this discussion and analysis is to provide a summarized view of the City's financial performance as a whole; readers should also review the basic financial astatements and supporting notes to enhance their understanding of the City's financial

#### Financial Highlights

- The assets of the City, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2013 by \$728,731,608 (net position). Of this amount, \$101,224,218 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. Total net position increased by \$40,709,025 and unrestricted net position increased by \$3.329,169.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$146,246,831, a decrease of \$102,091,964 in comparison with the prior year. This decrease was primarily attributable to capital outlay of \$116,579,787. Approximately 37.0 percent or \$54,054,371 is inassigned.
- The General fund, on a current financial resources basis, reported a decrease in fund balance of \$1,233,533. A decrease in fund balance was planned and approved in the adoption of the fiscal year 2013 budget. The City budgeted to use approximately \$19.3 million in reserves, but due to the implementation of City-wide cost saving measures during the fiscal year only \$2.5 million was needed. These cost saving measures will continue and positively impact fiscal year 2014.
- At the end of the current fiscal year, the total unassigned fund balance for the general fund was \$54,054,371 or 6.73 percent of the General fund budget.
- The City's total outstanding bonded indebtedness decreased by \$15,787,048 during the current fiscal year.
- The Norfolk Community Services Board (the "CSB") became a department of the City effective July 1, 2012. Previously the CSB was reported as a component unit; however, effective July 1, 2012 it is presented as a non-major special revenue fund. As such, all opening balances have been restated to account for this change.

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# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements and related notes themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These statements include all of the government's assets and liabilities using the accrual basis of accounting. The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitiation, economic development, public health, and culture and recreation. The business-type activities of the City include Water Utility, Wastewater Utility and Parking Facilities enterprise activities of

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: Norfolk Public Schools ("School Board") and Waterside Associates Limited Arrhorship ("Waterside Associates"). Financial information for these component units is reported separately from the financial

#### CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013

information presented for the primary government and can be found on pages 30 – 31

Fund financial statements — A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the basic financial statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term impact of the government's near-term financing decisions. A reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance for the general, capital projects and debt service funds, all of which are considered major funds. All other governmental funds are combined in a single, aggregated presentation. Individual fund data for each of the non-major funds are presented separately in the form of combining statements elsewhere in this report.

The City adopts an annual budget for certain funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided in this report.

The basic governmental fund financial statements can be found in pages 21 - 24 of this

Proprietary funds – The City maintains two types of proprietary funds: enterprise and internal service.

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#### CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013

The enterprise funds are used to account for its Water Utility, Wastewater Utility and Parking Facilities operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Internal service funds are an accounting mechanism to accumulate and allocate costs internally among the City's functions. The City has two internal service funds, Fleet Management and Storehouse operations. Because both of these services predominantly benefit governmental functions, they are included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Utilities and the Parking Facilities operations, all of which are considered major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in this report.

The basic proprietary fund financial statements can be found on pages 25 - 27 of this

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The fiduciary funds of the City include the City's pension trust fund, the Commonwealth of Virginia agency fund and other agency fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used in proprietary funds.

The fiduciary fund financial statements can be found in pages 28 - 29 of this report.

Notes to the financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 32.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 97 – 100 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented on pages 101 – 104 and 107 – 109, respectively, of this report.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013 CITY OF NORFOLK, VIRGINIA

### **Government-Wide Financial Analysis**

Over time, net position may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$728,731,608 at the close of fiscal

investment in capital assets (e.g., land, buildings, equipment, intangibles and infrastructure) less accumulated depreciation and amortization and less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted By far, the largest portion of the City's net position, \$603,151,682 or 82.8 percent is its that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

resources that are subject to external restrictions on how they may be used. The remaining balance of \$101,224,218 of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. An additional portion of the City's net position, approximately 3.3 percent represent

### Summary of the City of Norfolk's Net Position

	Governmental Activities	al Activities	Business-Ty	Business-Type Activities	Totals	als
	2013	restated* 2012	2013	2012	2013	restated* 2012
Current and Other Assets Capital Assets	\$ 228,584,641	\$ 228,584,641 \$ 325,653,412 963,746,458 887,947,052	\$ 190,499,816 878,692,986	\$ 190,499,816 \$ 156,582,759 878,692,986 857,884,874	\$ 419,084,457 \$ 482,236,171 1,842,439,444 1,745,831,926	419,084,457 \$ 482,236,171 1,842,439,444 1,745,831,926
Total Assets	1,192,331,099	1,213,600,464	1,069,192,802	,069,192,802 1,014,467,633	2,261,523,901	2,228,068,097
Long-Term Liabilities	738,581,960	827,340,401	678,784,199	641,426,072	1,417,366,159	1,417,366,159 1,468,766,473
Other Liabilities	96,480,741	54,141,264	18,945,393	17,137,777	115,426,134	71,279,041
Total Liabilities	835,062,701	881,481,665	697,729,592	658,563,849	1,532,792,293 1,540,045,514	1,540,045,51
Net Position:						
Net Investment in Capital Assets	323, 564, 236	295,205,881	279,587,446	270,912,644	603,151,682	566, 118, 525
Restricted	11,111,154	11,081,088	13,244,554	12,927,921	24,355,708	24,009,009
Unrestricted	22, 593, 008	25,831,830	78,631,210	72,063,219	101,224,218	97,895,049
Total Not Position	\$ 257 268 308 \$ 332 118 700	\$ 332 118 700	\$ 371 463 210 \$ 355 003 784	\$ 255 003 784	\$ 728 731 608 \$ 688 022 583	\$ 688 022 583

<sup>\*</sup>Restated as described in Note XXV

overall during the current fiscal year. Factors that contributed to a change in total governmental net position include: an increase in revenue as a result of current economic conditions and decreases in expenses in certain functional areas (primarily public works and culture and recreation). For governmental activities, total net position increased by \$25,149,599 or 7.6 percent

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013 CITY OF NORFOLK, VIRGINIA

For business-type activities, net position increased by \$15,559,426 or 4.4 percent during the fiscal year. Of this amount, \$12,151,333, \$4,771,436 and (\$1,363,343) are changes attributed to the Water Utility, Wastewater Utility and Parking Facilities funds, respectively. Overall revenues remained fairly consistent with the prior year due to an increase in charges for services as a result of increases in rates for Water and Wastewater offset by declines in other revenue.

The following presents key programmatic and functional elements of these changes in government-wide net position:

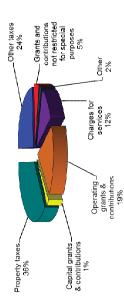
### Changes in the City of Norfolk's Net Position

	an and an and		manges in the only of regulating street control			
	Governmental Activities	al Activities	Business-Type Activities	e Activities	Totals	als
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 79,693,402	\$ 83,760,692	\$ 121,024,011 \$ 122,397,332	\$ 122,397,332	\$ 200,717,413	\$ 206,158,024
Operating Grants & Contributions	131,719,130	119,353,078			131,719,130	119,353,078
Capital Grants & Contributions	15,000,000	765,000	191,592	187,376	15,191,592	952,376
General Revenues:						
Property Taxes	246,345,296	245,438,720			246,345,296	245,438,720
Other Taxes	163,296,915	161,233,887	•		163,296,915	161,233,887
Grants and Contributions not						
restricted for specific purposes	33,539,418	32,725,568	1,625,338	370,577	35,164,756	33,096,145
Other	13,797,348	5,569,377	4,285,881	4,290,534	18,083,229	9,859,911
Total Revenues	683,391,509	648,846,322	127,126,822	127, 245, 819	810,518,331	776,092,141
Expanses:						
General Government	119 763 612	109 187 914			119 763 612	109 187 914
Lodinia A desiniatentias	E4 0E4 000	24 400 000			E4 0E4 023	64 400 000
Judicial Administration	000,400,10	00,201,10			000,400,000	000,101,000
Public Safety	125,270,290	129,137,829			125,270,290	129,137,829
Public Works	71,324,410	91,542,273			71,324,410	91,542,273
Health and Public Assistance	90,993,168	75,428,450			90,993,168	75,428,450
Oulture and Recreation	56,039,167	63,498,895			56,039,167	63,498,895
Community Development	16,157,515	17,222,565	•		16,157,515	17,222,565
Education	109,286,600	104,511,915			109,286,600	104,511,915
Interest on Long-Term Debt	27,867,469	26,822,070			27,867,469	26,822,070
Water Utility		•	60,926,645	64,473,088	60,926,645	64,473,088
Wastewater Utility	•	•	19,966,876	18, 805, 478	19,966,876	18,805,478
Parking Facilities			20,559,521	20,469,098	20,559,521	20,469,098
Total Expenses	668,356,264	668,454,009	101,453,042	103,747,664	769,809,306	772,201,673
Increase (decrease) in Net Position						
before Transfers	15,035,245	(19,607,687)	25,673,780	23,498,155	40,709,025	3,890,468
Transfers	10,114,354	10,086,978	(10,114,354)	(10,086,978)		
Increase (decrease) in Net Position	25,149,599	(9,520,709)	15,559,426	13,411,177	40,709,025	3,890,468
Net Position Beginning of Year, restated (Note XXV)	332,118,799	336,667,274	355,903,784	342, 492, 607	688,022,583	679,159,881
Net Position End of Year	\$ 357,268,398 \$ 327,146,565	\$ 327,146,565	\$ 371,463,210 \$ 355,903,784	\$ 355,903,784	\$ 728,731,608 \$ 683,050,349	\$ 683,050,349

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) CITY OF NORFOLK, VIRGINIA

For the Fiscal Year Ended June 30, 2013

Governmental Activities: Revenues by Source



personal property taxes) and other taxes. Revenues from property taxes remained relatively flat year over year. The real estate (general tax) tax rate for 2012-2013 was \$1.11 per \$100 of assessed value which has remained unchanged for the past few years. The real estate (downtown improvement district) tax rate for 2012-2013 was Governmental Activities - The City's total revenues from governmental activities were \$682,048,198 for the fiscal year ended June 30, 2013. The largest sources of revenue for the City at 36 percent are property taxes (which are comprised of real estate and \$1.27 per \$100 of assessed value which has also remained unchanged from the prior Revenues from other taxes increased by \$2,063,028 or 1.3 percent in comparison Other taxes are comprised of sales & use, consumers' utility, restaurant food, business license and hotel/motel taxes, just to name a few. This group of taxes represented 24 percent of total revenues for the fiscal year ended June 30, to the prior year. year.

Operating grants and contributions for governmental activities ended the fiscal year at \$131,719,130 which represents an increase of approximately 10.4 percent from the prior year. Grants and contributions not restricted for specific programs represent intergovernmental grants and contributions from State and Federal agencies. For the 2013 fiscal year, the City reported \$33,539,418 in grants and contributions not restricted for specific programs which represents an increase of approximately 2.5 percent from

\$125,270,290 or 18.7 percent for fiscal year 2013 related to public safety and \$109,286,600 or 16.4 percent for fiscal year 2013 for education (including payments to the School Board, a component unit). Overall, expenses for governmental activities remained flat which was primarily driven by a \$20,217,863 or 22.1 percent decrease in City's expenses for governmental activities cover a wide array of services, with

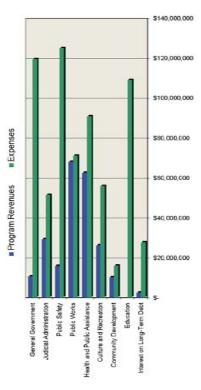
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#### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013 CITY OF NORFOLK, VIRGINIA

expenses for public works offset by increases in health and public assistance and general government. The decrease in public works expenses can be mainly attributed to a reduction in spending for capital projects in this area.

Depreciation expense for governmental activities of \$35,240,692 was recorded.

#### **Expenses and Program Revenues Governmental Activities**

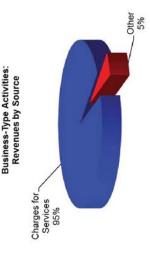


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### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013 CITY OF NORFOLK, VIRGINIA

Business-type Activities - Business-type activities increased the City's net position by \$15,549,423. Key elements of this change are as follows:

- Revenue from charges for services for business-type activities decreased by 1.12 percent. Water Utility charges for services decreased \$1,755,169. Wastewater Utility charges for services increased \$671,605 primarily as a result of rate increases. As part of the City's utility rate plan to improve utility infrastructure throughout the City, the Water and Wastewater Utility rates were increased by \$0.14/100 cubic feet and \$0.13/100 cubic feet, respectively.
- Parking facilities revenues remained relatively flat with a slight decrease of \$289,757 or 1.49 percent from the prior year.

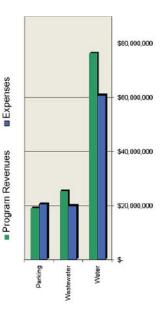


percent. The Water Utility fund's operating expenses increased slightly by \$589,913. The Wastewater Utility fund's operating expenses increased by \$1,014,350. The Parking Facilities fund's operating expenses increased slightly by \$379,049. Operating expenses for Business-type activities increased overall by \$1,983,312 or 2.50

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### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013 CITY OF NORFOLK, VIRGINIA

### Expenses and Program Revenues **Business Type Activities -**



# Financial Analysis of the Government's Funds

previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. As

information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Governmental Funds - The focus of the City's governmental funds is to provide

The City's classifications of fund balance comprise a hierarchy based on the extent to which the City is bound to observe constraints imposed upon the use of the financial Fund balance is now reported in the following categories: resources of the funds. Fund balance is now reported in the nonspendable, restricted, committed, assigned and unassigned. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$146,246,831, a decrease of \$102,091,964 or 41.1 percent over the prior year. Of the total ending fund balance, \$23,783 is nonspendable and The restricted fund balance is that portion of fund balance that can only be spent for the specific purposes as stipulated by a third party or legislation. Funds that typically fall in this category are federal and state \$11,111,154 or 7.6 percent is restricted.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 39, 2013

awards/grants, as well as certain tax dollars levied for specific purposes. Committed fund balance is \$19,090,742 or 13.1 percent of total ending fund balance and represents amounts within fund balance that have been designated for a specific purpose by City Council. Included in this classification are amount designated by City Council for the City's self-insured workers; compensation and general liability programs. Assigned fund balance is \$61,366,781 or 42.4 percent of total ending fund balance and represent funds intended to be used by the City for specific purposes. Encumbrances that are not considered committed are induded in this classification. The remaining \$54,054,371 or 37.0 percent of ending fund balance in the City's governmental funds is available for spending at the government's discretion and is classified as unassigned.

The City's primary governmental fund is its general fund. As a matter of fiscal policy, the City's unassigned fund balance is targeted to be no less than five percent of the general government's and School Board's annual operating budgets or \$40,157,373.

For the general fund, on the budgetary basis of accounting, the City ended the fiscal year with revenues above projections by \$2,484,143. Total expenditures were less than appropriations by \$29,176,766.

The general fund experienced an overall increase in revenue of \$319,874 or 0.1 percent over the prior year. Overall expenditures increased by \$8,598,395 or 1.69 percent from fiscal year 2012. General fund financial and budgetary highlights of the 2013 fiscal year include:

During fiscal year 2013, the City continuously monitored revenue levels so that it
could adjust spending accordingly, if necessary. Mid-way through the year, the
City inplemented a City-wide forced savings strategy to offset reductions in
projected revenues an eapture savings for future years. This is the primary
reason for \$29,176,766 in expenditure savings in fiscal year 2013.

Supplemental appropriations or amendments to the total 2013 general fund budget

#### General Fund:

\$ 799,790,809		3,356,660	3,356,660	\$ 803,147,469
Approved FY 2012-2013 budget	Supplemental appropriations:	Carryover from Norfolk Public Schools fiscal year 2012 surplus	Total supplemental appropriations	Final FY 2012-2013 budget

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# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013

The City spent \$116,079,787 in the Capital Projects fund to fund major capital projects, including construction of the downtown main library, the new courthouse, critical repairs to City and School Board buildings, City infrastructure improvements and various improvements for neighborhood revitalization. The fund had a total fund balance of \$20,976,231. In fiscal year 2013, the City used proceeds from bonds sold in fiscal year 2012, as well as cash on hand to fund these expenditures.

The Debt Service fund did not have any assets, liabilities or net position at fiscal year end. During the year, \$78,226,814 was transferred in from various funds to pay for an equal amount of debt service requirements.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Generally, the City can only use the net assets of these funds to finance continuing operations of the enterprise operations. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### Capital Asset and Debt Administration

Capital Assets – The City's investment in capital assets, net of related debts, for its governmental and business-type activities as of June 30, 2013, amounted to \$603,151,682. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, water/sewer systems, etc.), machinery, equipment, intangibles and construction in progress. Infrastructure assets represent 20.5 percent of total general governmental assets.

Major capital projects spending during the fiscal year included the following:

- Continued construction of the new courthouse complex with over \$34.0 million spent in fiscal year 2013;
- \$8.0 million overall in total school-related capital projects which includes repairs to school buildings with the bulk of the funds being spent on completion of the construction of Crossroads Elementary;
- \$6.3 million in various neighborhood conservation and revitalization efforts throughout in the City;
  - Investment of \$4.4 million in improvements to neighborhood streets throughout the City; and
- Continued construction on the new downtown main library, of which approximately \$40.7 million has been invested to date with \$23.9 million being spent in fiscal year 2013.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013 CITY OF NORFOLK, VIRGINIA

Construction in progress totaled \$152.0 million for governmental activities at the end of the fiscal year. Construction in progress totaled \$40.0 million for business-type activities, which includes Water Utility, Wastewater Utility and Parking Facilities projects.

### Summary of the City of Norfolk's Capital Assets (net of accumulated depreciation)

		Governmental Activities	Act	ivities	Business-Type Activities	pe Activities	Δ	Totals
				restated				restated
		2013		2012	2013	2012	2013	2012
Land	s	87,194,729 \$	so.	86, 163, 226	\$ 48,111,635	\$ 48,003,017	\$ 135,306,364 \$	\$ 134,166,243
Buildings, equipment and vehicles		476,988,315		424,358,186	769,448,649	722,285,444	1,246,436,964	1,146,643,630
Improvements other than buildings		48,082,451		46,275,180	16,626,522	16,154,887	64,708,973	62,430,067
Construction in progress		152,039,985		132,433,531	40,010,753	66,734,977	192,050,738	199,168,508
Intangible assets		1,496,677		981,842	4,495,427	4,706,549	5,992,104	5,688,391
Infrastructure		197,944,301		197, 735,087	•	•	197,944,301	197,735,087
Total	S	963.746.458 \$	60	887.947.052	\$ 878,692,986 \$ 857,884,874	\$ 857.884.874	\$1,842,439,444	1.842.439.444 \$1.745.831.926

Additional information on the City's capital assets can be found in Note VI on pages 52. 54 of this report **Long-term Debt** – At June 30, 2013, the City (including the enterprise funds) had total bonded debt outstanding of \$1,272,518,545. Of this amount, \$817,078,050 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

A summary of the City's outstanding bonded debt is as follows:

#### City of Norfolk's Bonded Debt

The City's total debt outstanding decreased by \$15,787,048 or 1.2 percent during the fiscal year. The City issues debt based on its cash flow capital needs.

The development of the City's five-year Capital Improvement Program and its related debt are guided by various debt affordability policies. These policies limit total tax supported (not supported by specific fees or charges) debt as follows:

- Bonded debt service requirements will not exceed ten (10) percent of general
- governmental expenditures; and Bonded debt outstanding will not exceed 3.5 percent of the assessed value of taxable real property in the City.

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013 CITY OF NORFOLK, VIRGINIA

Business-type activities debt practices are governed by revenue bond indentures in addition to various rate affordability measures.

The latest credit ratings for the City's general obligation and water revenue bond programs as of the date of this report are as follows:

Bonding Program	Fitch Ratings	Standard and Poor's	Moody's Investors Service
General Obligation	AA+	AA+	Aa2
Water Revenue	AA+	AA+	Aa2

The City's parking and wastewater systems do not maintain an underlying credit rating.

State statutes limit the amount of general obligation debt the City may issue up to ten percent of its total assessed valuation. The City's general obligation debt outstanding is significantly below the City's current debt limitation of \$1,831,994,848.

Additional information on the City's long-term debt can be found in Note VIII on pages 58 - 67 of this report.

# Economic Factors and Next Year's Budgets and Rates

- Commonwealth has experienced some positive impact as a result of the economic recovery, the City's locally generated revenues have not seen the dependent on real property taxes which have declined as a result of the weak housing market and the economy. Considering the effects of the national, state and local economic conditions, the City focused on core service delivery in While the same level of recovery. This is because, like other localities, the City is highly The slow economic recovery continues to have a negative impact. developing the fiscal year 2014 budget.
- Taxable real estate assessments are projected to rise slightly in the 2014 fiscal year by 0.28 percent.
- The following reflects major other tax change projections in comparison to the fiscal year 2013 budget:
- Consumer's utility tax 1.0 percent decrease; Sales taxes – 2.0 percent increase;
- Business license taxes 2.1 percent increase;
- Restaurant food taxes 2.5 percent increase; and

- Hotel and motel tax remained flat
   Rate increases for both the Water Utility and Wastewater Utility funds continue to provide necessary funding to finance capital improvements.

# CITY OF NORFOLK, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Fiscal Year Ended June 30, 2013

The City anticipates continued increases in retirement contributions as a result of the economic downturn and its impact on investments. This is mitigated slightly by contributions required by new City employees. Additionally the City anticipates increases in required pension contributions in future years as it reflets to participation in any Virginia Retirement System (VRS) sponsored retirement plans, manily through participation by the School Board and the constitutional offices of the City.

All of these factors were considered in preparing the City's budget for fiscal year 2014. The fiscal year 2014 operating budget includes transfers in from nongeneral funds of approximately \$11.8 million, as well as \$5.7.3 million from carrying forward unspent appropriations from prior years and closeout of accounts and fiscal year sud closeout of accounts and fiscal year 2013 savings realized from the strategic realignment of departments.

**BASIC FINANCIAL** 

STATEMENTS

The real estate tax rate increased in fiscal year 2014 by \$0.04. There were no changes in any other tax rates for the 2014 fiscal year. The following represents changes in fees implemented with the budget for the 2014 fiscal year:

Description	FY 2014 Approved	FY 2013 Approved
Wastewater Fees	\$3.53/100 cubic feet	\$3.39/100 cubic feet
Water Fees	\$4.30/100 cubic feet	\$4.15/100 cubic feet
Stormwater Fees - Residential \$10.24/month	\$10.24/month	\$9.96/month
Stormwater Fees – Commercial	\$7.36/month per 2,000 sq. ft.	\$7.36/month per 2,000 sq. ft. \$7.18/month per 2,000 sq. ft.

### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 810 Union Street, Suite 600, Norfolk, Virginia, 23510 or the City's website at www.norgolk.gov.

Exhibit 1

CTTY OF NORFOLK, VIRGINIA Statement of Net Position June 30, 2013

Primary Government

	9	Activities	i	Activities		Total	•	Units
ASSETS					l			
Cash and short term investments	S	135,170,258	s	76,573,508	S	211,743,766	s	35,911,176
Restricted cash held with fiscal agent				222,962		222,962		
Unrestricted short term investments				8,453,393		8,453,393		
Receivables, net:								
Taxes		41,559,705				41,559,705		
Accounts		10,575,193		19,170,843		29,746,036		396,032
Accrued investment income		1,411		30,440		31,851		
Internal balances		1,321,155		(1,321,155)				٠
Due from other governments		37,079,970		252,312		37,332,282		33,766,656
Due from primary government								2,637,626
Inventories		2,081,947		1,840,848		3,922,795		788,248
Prepaid items		795,002				795,002		
Restricted cash and investments				85,276,665		85,276,665		,
Non-depreciable capital assets		239,303,728		90,520,853		329,824,581		487,500
Depreciable capital assets, net		724,442,730		788,172,133		1,512,614,863		16,993,377
Total assets	s	1,192,331,099	s	1,069,192,802	s	2,261,523,901	s	90,980,615
LIABILITIES								
Vouchers payable	s	25,249,678	s	7,172,580	S	32,422,258	s	4,534,170
Employees withholdings		983,296				983,296		
Contract retainage		3,547,170		1,285,528		4,832,698		228,082
Accrued interest		7,944,034		3,294,414		11,238,448		
Accrued payroll		4,993,599		454,607		5,448,206		32,530,558
Due to other governments		8,216,463				8,216,463		9,632,503
Due to component unit		2,637,626				2,637,626		
Other current liabilities		3,725,192		432,509		4,157,701		
Deferred revenue		543,705				543,705		169,409
Other payables								202,053
Retirement system contribution		38,639,978		3,690,514		42,330,492		
Liabilities payable from restricted assets				2,615,241		2,615,241		
Long-term liabilities:								
Due within one year		103,063,820		84,369,034		187,432,854		7,207,067
Due in more than one year		635,518,140		594,415,165	I	1,229,933,305		18,959,569
Total liabilities	s	835,062,701	S	697,729,592	S	1,532,792,293	S	73,463,411
NET POSITION								
Net investment in capital assets	S	323,564,236	S	279,587,446	S	603,151,682	S	14,405,972
Restricted for:								
Perpetual care - nonexpendable		096'890'9		- 000		096'890'9		
Capital projects		. :		2,000,000		2,000,000		815,133
Retirees' life insurance - future expenditures		300,000				300,000		
Keserves		4,742,194		11,244,554		15,986,748		. !
Other programs								1,104,970
Unrestricted	ŀ	22,593,008	ŀ	78,631,210	ŀ	101,224,218	ŀ	1,191,129
Total net nosition	v	357 268 398	v	371 463 210		220 724 800	•	1000

Total

	General	Capital	tal	Debt	×	ŝ	Governmental	ĕ	Gov ernmental
	Fund	Projects	ects	Service	ice		Funds		Funds
ASSETS					ĺ				
Cash and short term investments	\$ 64,101,669	\$ 41,588,032	88,032	49		49	28,923,575	49	134,613,276
Receivables, net:									
Taxes	41,559,705				,		,		41,559,705
Accounts	2,931,038						6,656,036		9,587,074
Accrued investment income	1,411				,		,		1,411
Due from other funds	7,094,555	o	7.70,286				1,109,822		9,189,454
Due from other governments	25,098,122		16,931				11,133,298		36,248,351
Restricted cash held with fiscal agent									
Prepaids	1,468				,		168,533		170,001
Total assets	\$ 140,787,968	\$ 42,5	42,590,040	69		69	47,991,264	69	231,369,272
LIABILITIES									
Vouchers payable	\$ 11,372,055	\$ 9,5	9,539,811	49	,	69	4,039,792	49	24,951,658
Employee withholdings	983,296						٠		983,296
Contract retainage	117,017	3,3	3,392,734		,		37,419		3,547,170
Accrued payroll	4,443,223						502,271		4,945,494
Due to other funds	1,150,572	0'9	6,043,638				42,228		7,236,438
Due to other governments							8,216,463		8,216,463
Due to component unit		2,6	2,637,626				,		2,637,626
Deferred revenue	27,966,765		,		,		1,022,500		28,989,265
Other liabilities	3,481,383						133,648		3,615,031
Total liabilities	49,514,311	21,6	21,613,809				13,994,321		85,122,441
FUND BALANCES					ĺ				
Non sp endable							23,783		23,783
Restricted	300,000						10,811,154		11,111,154
Committed	3,000,000	13,6	13,636,950		,		2,453,792		19,090,742
Assigned	33,919,286	7,3	7,339,281				20,708,214		61,966,781
Unassigned	54,054,371								54,054,371
Total fund balances	91,273,657	20,9	20,976,231			ı	33,996,943	ı	146,246,831

					Dros	ram Revenues						Net (Expense Changes in				
			_		riog	Operating		Capital	_		Prin	nary Government	Netro	SILIOII	_	
				Charges for		Grants and		Grants and	-	Sovernmental		lusiness-Type				Component
Functions/Programs		Expenses		Services		ontributions		Contributions		Activities		Activities		Total		Units
Primary government:																
Governmental activities:																
General government	\$	119,763,612	\$	9,488,728	\$	1,343,591	\$		\$	(108,931,293)	\$		\$	(108,931,293)	\$	
Judicial administration		51,654,033		3,717,208		25,762,048				(22,174,777)				(22,174,777)		
Public safety		125,270,290		10,154,099		5,825,993				(109,290,198)				(109,290,198)		
Public works		71,324,410		38,320,032		30,005,989				(2,998,389)				(2,998,389)		-
Health and public assistance		90,993,168		5,348,505		57,309,328				(28,335,335)				(28,335,335)		
Culture and recreation		56,039,167		10,296,605		987,267		15,000,000		(29,755,295)				(29,755,295)		
Community development		16,157,515		2,368,225		7,897,645				(5,891,645)				(5,891,645)		
Education		109,286,600				-				(109,286,600)				(109,286,600)		
Interest on long-term debt	_	27,867,469	_		_	2,587,269	_		_	(25,280,200)			_	(25,280,200)	_	
Total governmental activities	_	668,356,264	_	79,693,402	_	131,719,130	_	15,000,000	_	(441,943,732)	_		_	(441,943,732)	_	
Business-type activities:																
Water		60,926,645		76,392,882				191,592				15,657,829		15,657,829		
Wastewater		19,966,876		25,469,025		-				-		5,502,149		5,502,149		
Parking facilities	_	20,559,521		19,162,104		-	_					(1,397,417)		(1,397,417)		
Total business-type activities		101,453,042		121,024,011		-	Ξ	191,592				19,762,561		19,762,561		
Total primary government	\$	769,809,306	\$	200,717,413	\$	131,719,130	\$	15,191,592	\$	(441,943,732)	\$	19,762,561	\$	(422,181,171)	\$	
Component units:																
Norfolk Public Schools	\$	373,299,328	\$	4,348,868	\$	224,467,615	\$	8,207,537							\$	(136,275,308)
Waterside Fund		1,508,685		220,704		-										(1,287,981)
Total component units	\$	374,808,013	\$	4,569,572	\$	224,467,615	\$	8,207,537							=	(137,563,289)
General revenues:																
Taxes:																
General property	taxes -	real estate and pe	rsonal p	roperty						246,345,296				246,345,296		
Consumers' utility	y taxes									43,210,868				43,210,868		
Sales and use ta:	xes									29,707,293				29,707,293		
Restaurant food t	taxes									30,818,305				30,818,305		
Business license	taxes									29,300,747				29,300,747		
Hotel/Motel taxes										8,073,457				8,073,457		
Cigarette taxes										7,926,006				7,926,006		
Admissions taxes										3,831,000				3,831,000		
Motor vehicle lice	nses									4,209,486				4,209,486		
Franchise, record	dation a	nd other miscellan	eous lo	cal taxes						6,219,753				6,219,753		
Use of money and p	property	,								562,577		234,360		796,937		1,453,504
Grants and contribu	tions no	ot restricted to spec	ific pro	grams						33,539,418		1,625,338		35,164,756		
Miscellaneous										11,501,048		4,042,170		15,543,218		235,312
Commonwealth of	Virginia															31,462,706
Gain (loss) from sal	le of ass	sets								1,733,723		9,351		1,743,074		
Payment from Prim	ary Gov	remment														112,379,008
Transfers										10,114,354		(10,114,354)				
Total general re	evenues	and transfers							Ξ	467,093,331		(4,203,135)		462,890,196		145,530,530
Changes in a	net posi	tion								25,149,599		15,559,426		40,709,025		7,967,241
Net position - beginning										327,146,565		355,903,784		683,050,349		14,522,197
Adjustment to beginn	ing net	assets (Note XXV)								4,972,234				4,972,234		(4,972,234)
Net position - ending									\$	357,268,398	\$	371,463,210	\$	728,731,608	\$	17,517,204

### Exhibit A-2 CITY OF NORFOLK, VIRGINIA Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2013

146,246,831	959,438,131	28,445,560	(783,812,183) 6,226,561 831,517 (108,019)
69	2,388,523,413		(637,943,425) (26,965,217) (28,167,329) (24,590,965) (16,266,074) (16,266,074) (17,12,900) (1,712,900) (7,944,034)
Fund balances - total governmental funds Amounts reported for governmental activities in the Statement of Net Position are different because:	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:  Gross capital assets at historical cost Accumulated depreciation	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: Adjustment for deferred revenue	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:  Bonds and notes payable Unamortized bond premium Relatement contribution Other post employment benefits Compensation and delimic liability Propal debt service Workers' compensation and delimic liability Receivable for Build America Bonds - interest rate subsidy GASB Statement 49 Pollution Remediation Obligation Net postlon of governmental activities

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The accompanying notes are an integral part of the basic financial statements.

Exhibit A-3

# CITY OF NORFOLK, VIRGINIA Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For Fiscal Year Ended June 30, 2013

		_	Major Funds			Nonmajor		Total
	General		Capital	Debt	9	Gov ernmental	ŏ	Governmental
	Fund		Projects	Service		Funds		Funds
REVENUES								
General property taxes	\$ 243,604,191		•	· •>	49	2,754,849	69	246,359,040
Other local taxes	154,198,171	171		•		9,098,745		163,296,916
Permits and licenses	4,098,178	178		•				4,098,178
Fines and forfeitures	1,098,187	187	٠	•		3,410		1,101,597
Use of money and property	6,102,209	500	309,160			127,770		6,539,139
Charges for services	33,392,110	110	٠	•		22,685,292		56,077,402
Miscellaneous	8,996,990	066	15,100,215	•		2,081,093		26,178,298
Recovered costs	11,395,841	7						11,395,841
Infergovernmental	114,334,309	606	2,227,641	•		44,585,796		161,147,746
Total revenues	577,220,186	186	17,637,016		<u> </u>	81,336,955		676,194,157
EXPENDITURES		! 			 			
Current operating:								
Gen eral government	112,577,244	244		•		227,450		112,804,694
Judicial administration	47,357,216	216		•		3,562,892		50,920,108
Public safety	107,143,672	372		•		10,282,957		117,426,629
Public works	40,390,032	332		•		14,036,998		54,427,030
Health and public assistance	47,300,808	308				41,112,071		88,412,879
Culture and recreation	42,580,642	342		•		4,572,827		47,153,469
Community development	8,817,670	370		•		6,310,716		15,128,386
Education	109,286,600	300		•				109,286,600
Debt service:								
Principal				50,558,810				50,558,810
Interest and other charges		,	•	27,668,004		,		27,668,004
Capital outlay	200,000	000	116,079,787					116,579,787
Total expenditures	515,953,884	384	116,079,787	78,226,814		80,105,911		790,366,396
Excess (deficiency) of revenues over								
expenditures	61,266,302	302	(98,442,771)	(78,226,814)	_	1,231,044		(114,172,239)
OTHER FINANCING SOURCES (USES)		1						
Proceeds sale of land	800,000	000	1,165,921	•				1,965,921
Transfers in	20,481,878	378	3,924,866	78,226,814		9,487,082		112,120,640
Transfers out	(83,781,713)	713)	(10,446,229)			(7,778,344)		(102,006,286)
Total other financing sources and uses	(62,499,835)	335)	(5,355,442)	78,226,814		1,708,738		12,080,275
Net changes in fund balances	(1,233,533)	533)	(103,798,213)	•		2,939,782		(102,091,964)
Fund balances - beginning as restated (Note XXV)	92,507,190	190	124,774,444	•		31,057,161		248,338,795
Fund balances - ending	\$ 91,273,657		\$ 20,976,231	•	69	33,996,943	69	146,246,831

Exhibit A-4

# CITY OF NORFOLK, VIRGINIA Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ended June 30, 2013

\$ (102,091,964)	113 559,092 (2,48,599) (34,94,5516) 76,091,591	(13,744)	49,832,457		(1,880,432) 625,000 (198,111) 2,566,283 1,112,750	(159,928)	165,770	112,677	\$ 25,149,599
Net change in fund balancies-trial governmental funds Amounts reported by governmental activities in the Stemment of Activities are different because.	Governmental funds report capital outlays as expenditures while governmental activities report degreciation expense to allocate those expenditures over the life of the asset.  Add capital acquisitions ret of disposals Subtract degreesid Subtract degreesid Subtract degreesid expenses.	Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.	Bond and note proceeds provide current financial resources to governmental funds, but issuing detribriorsease forg-term institibies in the Statement of Net Position.  Repayment of bond and onde principal is an expenditure in the governmental funds, but the repayment reduces tong-term liabilities in the Statement of Net Position.  Add debt repayment	Some expenses reported in the Statement of Activities do not require the use of outment intensic resources and effective are not reported as expenditures in povermental fund.	Change in non-capital long-term labelities (Note VIII) Prepated frontable top down Account interest psyable Premium on refunded delct	Infermal service funds are used by management to charge the costs of of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activity.	Adjustment for Build America Bonds interest rate subsidy	GASB Statement 49 Pollution Remediation Obligation	Change in net position of governmental activities

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### CITY OF NORFOLK, VIRGINIA Statement of Fund Net Position - Proprietary Funds June 30, 2013

Exhibit B-1

				Business-Tyne Activities	De Act	9			8	Governmental Antivities.
	J	Water	>	Wastewater		Parking			Intel	Internal Service
		Utility		USIRy		Facilities		Totals		Funds
ASSETS Current assets:										
Cash and short term investments	69	52,186,630	69	8,557,980	69	15,828,898	69	76,573,508	69	556,982
Restricted cash held with fiscal agent		18,175		204,787				222,962		
Unrestricted short term investments		330,203		5,437,436		2,685,754		8,453,393		
Receivables, net										
Accounts		9,126,689		2,228,472		1,350,887		12,706,048		988,119
Unbilled accounts		4,998,701		1,252,303		213,791		6,464,795		
Accrued investment income		24,433				6,007		30,440		
Internal balances										
Due from other governments		80,402		164,693		7,217		252,312		
Inventories		1,424,894		31,013		384,941		1,840,848		2,081,947
Restricted cash and investments	ļ	59,401,998		7,830,025	l	18,044,642		85,276,665	l	
Total current as sets		127,592,125		25,706,709		38,522,137		191,820,971		3,627,048
Noncurrent as sets:										
Capital as sets:										
Land and improvements		34,315,258		20,052,900		36,152,695		90,520,853		415,000
Buildings and equipment		637,098,904		274,201,607		194,993,783	Ť	1,106,294,294		10,940,097
Accumulated depreciation	l	(190,415,252)		(64,363,420)	l	(63,343,489)		(318,122,161)		(7,046,769)
Capital as sets, net	ŀ	480,998,910		229,891,087	ŀ	167,802,989	1	878,692,986		4,308,328
Total as sets	so.	608,591,035	so.	255,597,796	69	206,325,126	9	1,070,513,957	69	7,935,376
LIABILITIES										
Current liabilities:										
Vouchers payable	69	3,338,589	69	3,646,536	so.	187,455	69	7,172,580	69	298,020
Contract retainage		623,251		662,086		191		1,285,528		
Accrued interest		27,471		1,085,655		2,181,288		3,294,414		
Account below		4 244 452		008'08		03,370		434,007		40,100
Objection for employees refrement system		2 427 634		729 29K		633,684		3.690.514		482 649
Current portion of honds pavable		7 801 047		0 148 484		96,469,729		83.419.260		1000
Liabilities payable from restricted as sets		2,615,241						2,615,241		
Compensated absences		610,884		224,233		114,657		949,774		174,958
Other current liabilities		236,390		64,708		131,411		432,509		2,142
Total current liabilities	ļ	19,286,623		15,656,963		69,691,996		104,635,582		1,637,734
Noncurrent liabilities:										
General obligation bonds payable		538,179		101,541,588		10,677,025		112,756,792		
Keverue bonds payable		359,545,343		41,351,301		73,878,343		4/4,//4,98/		
Compensated absences		473,098		136,707		179,335		0.699,040		
Other long-term liabilities	ļ	4,960,463		581,058		552,225		6,093,746		71,081
Total Invitation	0	305,017,003		143,010,034		454 070 074		234,413,103		1 700 045
NET POSITION	2	304,004,200	^	100,100,801	2	124,970,924	0	088,000,747	2	1,700,015
Net investment in capital assets	S	161,534,514	69	85,474,952	89	32,577,980	59	279,587,446	69	4,308,328
Restricted for:										
Capital projects		2,000,000						2,000,000		
Other purposes:										
Water utility fund operations		9,000,000				2 2244 664		9,000,000		
Tenning lacines ford operators		84 262 246		10 956 227		400,444,204		70 624 240		1 0 10 22 2
Office and position	~	223,786,829		96 330 179		61 346 202		371 463 210		R 226 KR1
Old to power	,	ERWIT ON ORF	,	- Linearing	,	To de la constante	,	of Introduction	,	Open const

Exhibit B-2

# CITY OF NORFOLK, VIRGINIA Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For Year Ended June 30, 2013

		Business-Ty	Business-Type Activities		Activities -
	Water	Wastewater	Parking		Internal Service
	Utility	Utility	Facilities	Total	Funds
Operating revenues:					
Charges for services	\$ 76,392,882	\$ 25,469,025	\$ 19,162,104	\$ 121,024,011	\$ 16,003,714
Miscellaneous	3,564,166	429,764		3,993,930	336,047
Total operating revenues	79,957,048	25,898,789	19,162,104	125,017,941	16,339,761
Operating expenses:					
Personal services	14,364,816	4,818,414	6,573,948	25,757,178	2,556,736
Cost of goods sold					11,270,364
Plant operations	6,489,193	2,545,662	1,143,315	10,178,170	268,414
Chemicals	3,110,828	61,016		3,171,844	•
Provision for bad debts	236,310	153,881		390,191	(2,536)
Depreciation and amortization	12,348,880	5,285,491	5,552,222	23,186,593	292,176
Retirement and OPEB contribution	2,535,851	768,275	533,684	3,837,810	482,649
Administrative expenses	1,663,129	1,532,036	347,229	3,542,394	•
Other	9,121,183	1,777,134	878,322	11,776,639	1,634,868
Total operating expenses	49,870,190	16,941,909	15,028,720	81,840,819	16,502,671
Operating income (loss), net	30,086,858	8,956,880	4,133,384	43,177,122	(162,910)
Nonoperating revenues (expenses):					
Interest income, net of interest capitalized	134,172		100,188	234,360	2,982
Intergovernmental revenue	1,284,157	341,181		1,625,338	
Interest expense and fiscal charges	(11,010,925)	(3,024,967)	(5,530,801)	(19,566,693)	
Gain (loss) on sale or disposal of capital assets	11,009	(1,658)		9,351	
Miscellaneous revenue (expense)	(45,530)		48,240	2,710	
Total nonoperating revenues (expenses)	(9,627,117)	(2,685,444)	(5,382,373)	(17,694,934)	2,982
Net income (loss) before contributions					
and transfers	20,459,741	6,271,436	(1,248,989)	25,482,188	(159,928)
Capital contribution	191,592			191,592	•
Transferin					
Transfers out	(8,500,000)	(1,500,000)	(114,354)	(10,114,354)	•
Changes in net position	12,151,333	4,771,436	(1,363,343)	15,559,426	(159,928)
Total net position - beginning	211,635,496	91,558,743	52,709,545	355,903,784	6,386,489
Total net position - ending	\$ 223,786,829	\$ 96,330,179	\$ 51,346,202	\$ 371,463,210	\$ 6,226,561

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### CITY OF NORFOLK, VIRGINIA

Exhibit B-3

### Statement of Cash Flows - Proprietary Funds Year Ended June 30, 2013

					Governmental
	Water Utility	Wastewater	Parking Facilities	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES: Receipts from customers	\$ 77,232,909	\$ 25,514,647	\$ 19,000,293	\$ 121,747,849	\$ 15,838,730
Payments to suppliers Payments to employees	(9,708,098)	(5,572,960)	(1,368,864)	(13,686,255)	(12,202,807)
Other payments Net cash and short term investments provided by (used in) operating activities	43,187,312	(3,271,962)	(1,230,704)	(11,936,772) 66,475,286	(1,566,432)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Internal activity	(176,879)	(821)	10,003	(167,697)	1,343,477
Inhergovernmental revenues Operating subsides and transfers to other funds	(8,500,000)	341,181	(114,354)	(10,114,354)	
Net cash provided by (used in) noncapital financing activities	(7,382,722)	(1,159,640)	(104,351)	(8,656,713)	1,343,477
CASH FLOWS FROM CAPITAL AND RELATED BINAMEING ACTUATIES.					
Proceeds from capital/refunding debt	43,070,000	11,225,333	5,845,000	60,140,333	
Capital contributions Purchases of capital assets	191,592	(20.268.316)	(1,864,287)	191,592 (45,683,679)	
Proceeds from sale of capital ass ets	25,397	1,756		27,153	,
Refunding/retilinancing of debt principal Principal paid on capital debt	(7,739,589)	(8,671,908)	(3,643,426)	(5,940,000) (20,054,923)	
Inhere at paid on capital debt	(6,590,391)	(3,500,124)	(5,724,204)	(15,814,719)	
vercast promost by (used in) capies and related financing activities	5205,913	(21,213,259)	(11,126,897)	(27,134,243)	
CASH PLOWS FROM INVESTING ACTIVITIES: Proceeds from safes and makaties of investments	63,005,805	(11,526,847)	3,563,381	45,043,339	
Purchase of investments	(75,739,334)	13,772,791	(3,776,186)	(65,742,729)	
Interest and dividends Net cash provided by (used in) investing activities	134,172 (22,599,357)	2,246,944	(73,406)	(20,425,819)	2,982
Net increase (decrease) in cash and short term investments	18,401,146	(6,065,523)	(2,077,112)	10,258,511	253,325
Cash and short form investments - be girning of the year	33,803,659	14,828,290	17,906,010	66,537,959	303,657
Cash and short term investments - end of the year	\$ 52,204,805	\$ 8,762,767	\$ 15,828,898	\$ 76,796,470	\$ 556,982
Reconciliation of Operating Income (Loss) to NetCash					ĺ
Operating income (loss)	\$ 30,086,858	\$ 8,956,880	\$ 4,133,384	\$ 43,177,122	\$ (162,910)
Adjustments to reconcile operating income (boss) to net cash and short term investments provided by (used in) operating activities:					
Depreciation expense	12,348,880	5,285,491	5,552,222	23,186,593	292,176
Provision for bad debt Loss on disposal of assets	286,310	153,881		280,191	
Change in assets and liabilities:	9	9	9		
Investigations, net	54,363	(364,142)	4,109	59,158	173,252
Vouchers payable	(162,440)	(3,301)	(229,658)	(395,399)	(766,902)
Obligations for Employees' Retirement System	francis in the	-	( ppine)	-	(25,243)
Other liabilities  Net cas h and short term investments provided by (used in) operating activities	3,458,523	76,187	2,064 9,227,542	3,536,774	(65,055)
Reconciliation of Cash and Short Term Investments					
to the Statement of Net Position: Cash and short form investments	\$ 52,186,630	\$ 8,557,980	\$ 15,828,898	\$ 76.573.508	\$ 556,982
Restricted cash with fiscal agent Total cash and short term investments per Statement of Net Position					
Noncash investing, capital and financing activities: Urrealized gain / (bos) on investments	\$ (45,530)	•		\$ (45,530)	· ·
Acquestron of capital assess strough charge in in contract relatings.  Acquisition of capital assess through vouchers payable.	\$ (265,522) \$ (1,218,890)	\$ (43,614)	\$ (26,781)	\$ (335,917)	
Capitalized interest, less interest eamed on certain long-term construction contracts	\$ 993,407	\$ 463,002		\$ 1,456,409	

# CITY OF NORFOLK, VIRGINIA Statement of Fiduciary Net Position June 30, 2013

Exhibit C-1

ss' Agency nt Agency Funds	6	21,963,318 \$ 4,002,407		2,915	47,929,052	199,476		3,045	2,559	2,821	3,365			198 -	42,330,492		59,442,775		7,885 \$ 4,002,407		541,418 \$ 12,047	94,692,800	3,990,360	95,234,218 \$ 4,002,407			•	3,667 \$ -
Pension Trust Employees' Retirement System		φς'LZ *	55,01	113,792,915	47,92	19		519,603,045	143,072,559	45,912,821	925,52				42,33	99	59,44		\$ 1,049,927,885		\$ 54	94,69		\$ 95,23				\$ 954,693,667
	ASSETS	Cash and short term investments	Investments, fair value: United States Treasury securities	Fixed income securities	Equity securities	Other	Balanced commingled funds:	Equity	Fixed income	Real estate	Total investments	Receivables:	Accounts, net of allowance	for uncollectible accounts	Retirement contribution	Accrued investment income	Due from broker for securities sold	Other	Total assets	LIABILITIES	Vouchers payable	Due to brokers for securities purchased	Other liabilities	Total liabilities	NET POSITION	Reserved for:	Net position held in trust for	pension benefits

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The accompanying notes are an integral part of the basic financial statements.

Exhibit C-2

CITY OF NORFOLK, VIRGINIA
Statement of Changes in Fiduciary Net Position
Pension Trust Fund - Employees' Retirement System
For the Year Ended June 30, 2013

2013	\$ 95,957,473 4,724,808 1,506,136 74,948	102,263,365 (1,669,392) 100,593,973	42,330,492 1,007,140 143,931,605	6,037 74,190,481 540,620 74,737,138	69,194,467 885,499,200 \$ 954,693,667
	Changes to net position attributed to: Investment income: Net depreciation in fair value of investments Interest Dividends Other	Less investment expense Net investment income	Employer contributions Employee contributions <b>Total</b>	Benefit payments and expenses: Refunds of contributions Benefits paid to plan members and beneficiaries Administrative costs Total	Net increase Net position held in trust for pension benefits: Beginning of year End of year

Totals

(61,889,367) (16,138,161)

(11,568,251)

(34,551,026) (10,373,231)

(952,752)

(552,638) (249,882)

(1,287,981)

(137,563,289)

1,453,504

112,379,008 235,312 31,462,706

145,530,530

7,967,241 9,549,963 17,517,204

Net (Expense) Revenue

and Changes in Net Position Waterside

Associates

(1,287,981)

(1,287,981)

191,396

5,192,408

5.383.804

4,095,823 (1,094,875)

#### Exhibit D-1

# CITY OF NORFOLK, VIRGINIA Statement of Net Position - Component Units June 30, 2013

		Norfolk				
		Public	_	Waterside		
		Schools	•	Associates		Totals
ASSETS						
Cash and short term investments	↔	35,851,723	€9	59,453	69	35,911,176
Accounts receivable, net of allowance for						
uncollectible accounts		367,627		28,405		396,032
Due from primary government		2,637,626		,		2,637,626
Due from other governments		33,766,656		,		33,766,656
Inventories		788,248		•		788,248
Capital assets, net		14,405,972		3,074,905		17,480,877
Total assets	69	87,817,852	↔	3,162,763	↔	90,980,615
LIABILITIES						
Vouchers payable	₩	4,372,895	69	161,275	69	4,534,170
Contract retainage		228,082				228,082
Accrued payroll		32,530,018		240		32,530,558
Unearned revenues		169,409		,		169,409
Other payables		202,053				202,053
Due to other government agencies		9,632,503				9,632,503
Current portion of long term labilities		7,207,067				7,207,067
Long-term vested compensated absences		2,313,642				2,313,642
Long-term post employment benefits		14,092,158				14,092,158
Long-term claims and judgments liability		2,553,769				2,553,769
Total liabilities	₩	73,301,596	€9	161,815	S	73,463,411
NET POSITION						
Net investment in capital assets	€9	14,405,972	69		69	14,405,972
Restricted for:						
Capital projects		815,133				815,133
Other programs		1,104,970				1,104,970
Unrestricted		(1,809,819)		3,000,948		1,191,129
Total net position	↔	14,516,256	↔	3,000,948	↔	17,517,204
	l					

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CITY OF NORFOLK, VIRGINIA Statement of Activities - Component Units For the Year Ended June 30, 2013

> Program Revenues Operating Grant

Contributions

207,885,108

2.100.000

14,482,507

224,467,615

224,467,615 \$ 8,207,537

Charges for

2,563,426

1,785,442

220,704

4,569,572

Expenses

\$ 272,337,901 16,138,161 13,668,251

34,551,026 10,373,231 9,160,289

16,820,587 249,882

1,508,685

Use of money and property Payment from Primary Government Miscellaneous Commonwealth of Virginia

Total general revenues

Changes in net position
Net position (deficit) - beginning
Net position - ending

\$ 374,808,013

Norfolk Public Schools:

Pupil transportation

School facilities

Operation and maintenance Information technology

Cultural and recreational

Food services
Community services
Total Norfolk Public Schools

Total component units

General revenues:

Instructional
Administration, attendance and health

Capital Grant

Contributions

8,207,537

8,207,537

Norfolk Public

Schools

(61,889,367) (16,138,161) (11,568,251)

(34,551,026) (10,373,231) (952,752)

(552,638) (249,882)

\$ (136,275,308)

1,262,108

107,186,600 235,312 31,462,706

140,146,726

3,871,418 10,644,838 14,516,256

The accompanying notes are an integral part of the basic financial statements.

# NOTES TO THE BASIC FINANCIAL STATEMENTS





32	38 38				24 4 5			46	20	51	51 52	52	23	22	55	28	58 61
	Financial Reporting Entity Information	Budgets and Budgets Accounting	Restricted Assets. Intacting Transactions	Interturior Halbacturios	Capital Assets	Net Postbor/Fund Balances.	Bond Premiums, Discounts and Issuance Costs	Deposits and Investments	Property Taxes	Accounts Receivable	Unbilled Accounts Receivable	Due From Other Governments	Capital Assets	Short-Term Obligations	Bond Anticipation Notes	Long-Term Obligations	General Obligation and Revenue Bonds General Obligation Bonds
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Long-Term Obligations (continued)

**=** 

	Current and Advanced Refundings Lead Obligations. Lead Both State Compensated Absences. Leadfill Lebity. Compensated Absences. Doth Limit. Bonds Authorized and Unissued. Changes in Long-Term Obligations. Changes in Long-Term Obligations. Employees 'Retirement System of the City of Norfok (System) School Board - Retirement Plan. State Employees - Virginia Retirement System (VRS).  Deferred Compensation Plan. Other Post-employment Benefits (OPEB) Interfund Receivable and Payable Balances Interfund Transfers	63 64 65 65 66 67 67 72 74 74 77 78 88 88 80 77 80 78
×Ι×	Fund Balance by Functional Category (GASB 54)	82
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CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

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OBA	Hampton Roads Regional Jail Authority (HRRJA) Hampton Roads Plaming District Commission (the Commission)	8 8 8
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∢вООш⊩	Norfolk Realevelopment and Housing Authority (NRHA).  Norfolk Aprod Authority The Economic Bevelopment Authority of the City of Morfolk (EDA).  The Choysel Maseum, Inc. (the Moreaum). The Hospital Authority of Norfolk (HAN). The Stoyer Library Foundation (the Foundation).	93 2 2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3
XXX	Adjustments to Beginning Fund Balance and Net Position	93
XXX	Subsequent Events	象
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### Summary of Significant Accounting Policies

#### Financial Reporting Entity Information Ä

The City of Norfolk (the "City") was incorporated February 13, 1845, and operates under a charter adopted February 7, 1818, which mandates a Council-Manager form of government. The City and its component units provide the following municipal services to approximately 246,000 residents, as authorized by its charter or code: public safety, highway and street maintenance, water production and quality, sold waste management, wastewater treatment, cultural and parking facilities, environmental storm water management, public health, social programs, parks and recreation, public education, public improvements, planning and zoning code enforcement, public libraries and general administration.

Blended Component Unit. The Employees' Retirement System of the City of Nordik (ERS) has a nine-member Board of Trustees. Seven members are appointed by Otty Council. The City Manager and the Director of Finance are exofficio members. The ERS is the administrator of a single-employer noncontributory defined benefit plan that covers substantially all employees of the City of Nordik, excluding School Board employees and certain employees of the Corstitutional Officers covered by the Virginia Retirement System, as authorized by Section 143(a) of the City Charter. The ERS was established and placed under the management of the Board of Trustees for the purpose of providing retirement and death benefits as authorized by the provisions of Chapter 37 of the Nordik City Code. The City makes its contributions, in conjunction with investment earnings of the ERS, to provide the funding for pension benefits and administrative costs.

Discretely Presented Component Units. Although these legally separate entities are in substance part of the City's operations, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The component units discussed below are included in the City's financial reporting entity due to their financial relationships with the City. The School Board for the City of Norfolk (School Board), which has seven members, is the operating body that establishes the educational and financial programs and policies for the City's public school system. School Board members are appointed by the City's Outnol. The City leaves taxes for its oration, issues bonds or enters into capital leases for its capital requirements and approves its amutal operating budget. The School Board is comprised of the School Operating fund, Capital Projects fund, Child Nutrition fund, Grants fund and agency funds.

Waterside Associates Limited Partnership (Waterside Associates) was originally refined on November 27. 1981, for the purpose of developing and operating a redial testival marketplace (Waterside) in Norfolk, Virginia which opened June 1, 1983. On December 31, 1988, the Norfolk Redevelopment and houring Authority (NRHA) and the cityl Development Corporation (CBC). a component unit of NRHA, purchased the partnership from its owners, creating a new entity with the seme name. NAHA, owner 14.5% of the Partnership and CDC owns 85.5%. Beginning July 1, 2010, the City began providing internal and financial support to

### CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

Waterside as well as managing operation activities. Separate financial statements are not prepared for Waterside Associates.

Complete financial statements of the individual component units can be obtained from their respective administrative offices:

The City of Norfolk Retirement Board

810 Union Street City Hall Building, Suite 309 Norfolk, Virginia 23510 www.norfolk.gov

www.nps.k12.va.us

The School Board for the City of Norfolk 800 East City Hall Avenue P.O. Box 1357 Norfolk, Virginia 23501-1357 As described in Note XXV, effective July 1, 2012 the Community Services Board became a special revenue fund of the City.

### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities; proof information on all of the nonflorially activities of the Primary Government and its component units. Governmental activities, which many Government and its component units. Governmental activities, which represents the supported sprannally are supported sprannally activities, which reply to a simplification to a supported suppo

a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other litems that do not meet the criteria for classification as program revenues are reported as general evenues. The Statement of Activities demonstrates the degree to which the direct expenses of

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual wide financial statements are exported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all inancial resources of the general government, except those required to be

accounted for in another fund.

The Debt Service Fund accounts for financial resources that are restricted, committed or assigned to expenditures for principal and interest payments on long-term debt obligations of governmental funds and propriderary funds.

The Capital Projects Fund accounts for financial resources that are restincted, committed or assigned to expenditures for capital outlays, which includes the acquisition and construction of major capital facilities of the City, some of which are also used by the School Board.

The City reports the following major proprietary funds:

- The Water Utility Fund accounts for the activities of the City's water system, treatment plant and distribution systems.
- The Wastewater Utility Fund accounts for the activities of the City's sewage pumping stations and collection systems.
  - The Parking Facilities Fund accounts for the activities of City-owned parking

Additionally, the City reports the following other fund types:

- Special Revenue Funds account for proceeds of specific resources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects. Examples including services provided as part of metial health and substance abuse programs, juvenile detention services, emergency call center services, tax increment financing districts and individual grant programs.
- Internal Service Funds account for the City's storehouse operations and fleet management services provided to other departments or agencies of the City on a cost reimbursement basis.
- Employee's the Emp pension of ' The Pension Trust Fund accounts for the activities Retirement System, which accumulates resources payments to qualified employees.
- The Permanent Fund is used to report resources that are restricted to the extent that only the interest may be used to support the City's cemetery
- The Agency Furds are used to account for the assets held by a governmental unit as an agent for individuals, private organizations, other measuremental units and/or other funds. Agency funds of not involve the measurement of results of operations as they are custodial in nature (assets = leilbillities).

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#### NOTES TO THE BASIC FINANCIAL STATEMENTS CITY OF NORFOLK, VIRGINIA For the Year Ended June 30, 2013

#### Statement Financial of Accounting and Focus, Basis Measurement ပ

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the liming of related cash flows. Property bases are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Fiduciary agency funds imerated is attentions do not have a measurement focus. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accruel basis of accounting. Under this method, revenue and related assets are recorded when they become but measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period or soon enough thereafter to pay liabilities of the current period or soon enough thereafter to pay liabilities of the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues, except for grant revenues, to be available if they are collected within 45 days of the end of the fiscal year. Real and personal properly taxes are recorded as receivables when levid and billied, which corresponds with the fiscal year to which the taxes have been levided, net of allowances for uncollectable accounts. Sales and utility bases, which are collected by the state or utilities and subsequently emitted to the City, are recognized as revenues and receivables when the underlying exchange occurs and are remitted to the City by the state within two months of the transaction. In accordance with generally accepted a occounting principles (GAAP) property taxes due and collected within 45 days after yar—rund are reported as elevernd eventues and fines are recorded as revenue; those not collected within 45 days after yar—rund are reported as elevernd eventues of funding specific expenditures, is recognized at the time the specific expenditures expected to be funded by this revenue are made. Revenue from expenditures expected to be funded by this revenue are made. general purpose grants is recognized during the entitlement period

Major sources of governmental funds susceptible to accrual include the following:

- Shared expenses
   Categorical aid
   Revenue from the federal government Revenue from the Commonwealth Personal property taxes Real property taxes
  - Consumer utility taxes Sales and use taxes

  - Environmental storm water billings

Amounts reported as program revenues include: 1) charges for services, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Therefore, all taxes are general revenue.

#### NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

Expanditures, other than interest on general long-term obligations, are recorded as related fund filabilities when incurred. Interest on general long-term obligations is recognized when due. Since the governmental funds' financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds' Balance Sheet and total Governmental charters have position as spown on the Governmental charter Statement of Net Position is presented in Exhibit A-2. In addition, a summary reconciliation of the difference between the total net charge in fund balances as reflected on the governmental funds' Statement of Revenues, Expenditures and Charges in Fund Balances and the charge in net position of Governmental activities as shown on the Government-wide Statement of Activities is presented in Exhibit A-4.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board ("GASB"). Governments also have the option of following subsequent private-sector guidance for their burstness-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating terms. Operating revenues and expenses generally result from providing services and producing and expenses and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the City's Water Utility, wastewater Utility and Parking Facilities enterprise funds, and of the City's intensal service funds are charges to customers for sales and services and administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition, including interest income or expense are reported as non-operating revenues and expenses in expense are reported as non-operating revenues and expenses in expense.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, less restrictive resources enatl – committed, assigned, and finally unassigned resources.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of faxes and other charges between the City's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### D. Budgets and Budgetary Accounting

An operating budget is adopted each fiscal year for the General fund, Water Utility enterprise fund, Wastewater Utility enterprise fund, Parking Facilities enterprise fund, Storm Water special revenue fund, Public Amenities special revenue fund, Cemeteries special revenue fund, Emergency Operations CemetriF-211 special

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

revenue fund, Golf special revenue fund. Towing & Recovery, Operations special revenue fund. Tax increment Financing special revenue fund. Tax increment Financing special revenue fund. Community Services Board special revenue fund and internal service funds. Project length undepers are appropriated for the Capital Projects fund and Grants special revenue fund. All funds are under formal budgatary control.

No less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council a proposed toperating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of funding them. Prior to the adoption of the budget, a public hearing is conducted, then on or before July 1, the budget is legally enacted through adoption of an ordinance. The property taxes included in the budget become a lien on real properties on July 1.

The ordinance for the annual operating budget appropriates funds by department Additional uogetary controls are exercised administratively, both on an appropriation unit basis over parts, all, or any combination of object categories (budgetary count passis over parts, all, or any combination of object categories (budgetary count passis over parts, all, or any combination of object categories (repeated to peaters), and the parts of 
The School Board manages and controls all funds made available for public school purposes by the City Council. In accordance with the Code of Virginia, the School Board has exclusive authority to expend funds within the total amounts appropriated by City Council.

Consistent with the enabling ordinance, the Schedules of Revenues and Expenditures – Budget and Actual of the General Fund presented in Exhibits E-1 and E-2 include the revenues and expenditures - budget and actual of the School Board.

A reconciliation of revenues and expenditures reported in accordance with U.S. generally accepted accounting principles (GARP) and those presented in accordance with non-GARP budgetary basis, for the General fund, can be found following Exhibit E.Z. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with U.S. generally accepted accounting principles.

With the exception of capital projects and grants fund appropriations, unencumbered annual appropriations lapse at the end of the fiscal year. City Council may authorize supplemental appropriations to the operating budgets during the fiscal year. Baggled mornists as reported in the financial statements represent the original appropriations, and all supplemental adjustments or appropriations.

City Council adopts a capital improvement budget on a project basis. As in the case of the General fund budget, these budgets are submired by the City Manage, public harmings are held and the budgets are legally enacted through adoption of an ordinance. Appropriations for these budgets continue until the purpose of the appropriation has been fulfilled. Amendments to these budgets are affected by City Council.

#### Deposits and Investments

The City's cash and short-term investments include cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date and activities of the contisting.

Investment statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commowealth of Virginia or political subdivisions thereof, obligations of the International Bank (Reconstruction and Development World Bank) and Asian Development Bank commercial paper rated A-1 by Standard and Poor's Octoporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGI). The fair value of the LGIP is the same as the value of the pool shares. The LGIP is no registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a' of the Investment Company Act of 19d. The external investment pool is administered by the Treasury Board of Virginia. The Pension Trust fund is authorized to invest in common stocks and other investments as directed by State statute.

Investments of the City, as well as its component units, are reported at fair value. Short-term investments are recorded at amortized ocust, which approximates fair value. The United States Treasury Securities and fixed income securities traded on a national or international securities exchange are valued based on equivalent values of comparable securities with similarly yield and risk. Investments that do not have an eablaitished market are reported at estimated fair value, primarily net asset value determined based on the fair value of the underlying securities. Purchases and sales of securities traded but not yet settled at year-end are recorded as due to broker for securities sold, respectively.

The City uses the pooled cash investment method, as a result individual fund overdraffs are reclassified as due to'due from other funds or internal balances for investment of produce cash is allocated to the various fruit as based on the percentage of cash and temporary investments of each fund to be do nit be percentage of cash and temporary investments of each fund to the total pooled cash and temporary investments.

For purposes of the statements of cash flows, all highly liquid debt instruments, with a maturity of 90 days or less, and certificates of deposit are grouped into cash and soft-term investments. The cash and investment pool discussed above is considered cash, since it has the same characteristics as a demand deposit account.

#### F. Restricted Assets

Restricted assets are those whose use is subject to externally imposed constraints such as creditors through debt coverants, grantors or laws or regulations of other governments.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

#### G. Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds, including expenditures and transiers of resources to provide services, construct assets and service debt. The accompanying fund financial statements generally reflect such transactions as transfers.

Internal Service funds record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the Internal Service funds as operating expenditures or expenses. Since the City's Internal Service funds generally support governmental activities rather than business-type activities, they are consolidated with the governmental funds in the government-wide financial streaments. A discrete presentation of the City's Internal Service funds can be found in the "Other Supplementary Information" section of this document.

The General fund provides administrative services to enterprise funds and internal service funds. Charges for these services are treated as operating expenses by the enterprise and internal service funds and as revenue by the General fund in the fund financial statements.

#### H. Inventories

Inventories are stated at cost, using either the first-in, first-out, or the moving average method. Inventories the governmental funds consist of expendable supplies held mothod. To consumption from the governmental funds consist of expendable supplies held for consumption from the pre-present expense inventories when acquired, (i.e., the purchase method). Proprietary funds expense inventories when consumed.

#### Capital Assets

capital assets, which include property, plant, equipment, intargibles and infrastructure assets (e.g., roads bridges, sidewalks and atimilar lense), are reported at historical cost less accumulated depreciation and amortization in the applicable governmental or business-type activities column in the government-wide financial statements and in proprietary funds. Capital assets are defined by the City's capitalization policy as assets owned by the City with an inflat, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital outlays of government-wide Statement of Net Position if they meet the orities and are not capitalized in the government-wide Statements. Where historical cost records are not available, assets are recorded at seimmed historical cost, clifts or domated fixed assets are recorded at seimmed historical cost, clifts or domated fixed assets are recorded at their seimment bishorical cost, clifts or domated fixed assets are recorded at their seimment bishorical cost, clifts or domated fixed assets are recorded at their seimment bishorical cost, clifts or domated fixed assets are recorded at their seimment bishorical cost, clifts or domated fixed assets are recorded at their seimment bishorical cost, clifts or domated fixed assets are recorded at their seimment bishorical cost, clifts or domated fixed assets are recorded at the cultural service funds, interest cannot on the temporary investment of the unexpended pointon of those funds. When an asset is relied or otherwise disposed of, the related tost and accumulated depreciation are eliminated and any resulting gain of loss is reflected as non-operating revenue or expense.

The City evaluates prominent events or changes in circumstances affecting capital

assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if to hit (a) the decilie in service utility of the capital asset is large in magnitude and (b) the event or charge in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of the carnying value or fair walle. Impaired service utility of the are measured using the method that best reflects the diminished service utility of the capital asset, Any insurance recoveries received as a result of impairment events or charges in circumstances that result in the impairment of a capital asset are netted against the impairment loss.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

Capital assets of the Primary Government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives (in years).

			Internal
	Governmental	Enterprise	Service
	Funds	Funds	Funds
Building and improvements	40	10-75	40-50
Improvements other than buildings	15-25	10-99	15
Warehouse equipment and fixtures			7-10
Transmission and distribution mains	•	50-99	,
Service meters and meter installation		35-50	
Pumping and other water/wastewater		10-30	
equipment			
Vehicles and garage equipment	4-10	4-10	4-25
Data processing equipment	5-10	5-10	5-10
Furniture, fixtures and equipment	3-25	3-25	3-20
Infrastructure	5-100		
Intangibles	5-10	5-10	5-10

### Compensated Absences

It is the City and the School Board's policy to permit employees to accumulate aemed but unused vacation and sick pay benefits. Vacation fleave is fully vasted when eamed by City employees. Accumulated vacation leave cannot bexeed certain limits as codified in section 2-49 in the City Code of Outlinances. Sick leave does not vest for City employees severe upon refirement, City employees secrete certain capt day of accumulated sick leave service since the City does not pay it when the employee separates from service. The additional refirement benefit is reflected in the actural liability of the ERS. The entire unpaid liability for vacation leave is recorded in the respective funds in the government-wide financial statements.

Upon retirement, School Board employees are paid \$20 for each day of accumulated sick leave at refirement. Accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. Most School Board employees have termorth employment confracts and are not entitled to Board employees.

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### Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements may be classified as net investment in capital assets, restricted, and unrestricted. Restricted position represent constraints on resources that are either externally imposed by renderors, grantos, contributions, laws and regulations of other governments or imposed by law through state statutes. Fund balances in governmental fund financial statements are classified as nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that are not in spendable form. Restricted fund balance includes amounts that can be spent only for specific purposes as stapulated by a third party or through enabling legislation. Committed that balances includes amounts that can be used only for specific purposes as determined by City Council through formal action (ordinance) by City Council. Committed amounts cannot be used of formal action. In the Ceneral Fund, assigned fund balance includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. In the governmental funds, except for the general fund, assigned fund balance in the classified assigned fund balance represents the remainfing amount that is not restricted or committed. Assignment authority has been given to the City Manager by City Council. The unassigned fund balance classification is for all amounts not included in other classifications.

#### Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses/expenditures during the reported amounts oul frevenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

### 1. Bond Premiums, Discounts and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance oosts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing used. Issuance such reported as other inancing used. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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#### CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

### Deposits and Investments

### Custodial Credit Risk - Deposits

The City maintains a cash and investments pool for all funds except the Pension Trust and Permanent funds. Each funds portion (the pool is disclosed in the Statement of Net Position and respective fund balance sheets as cash and short term investments. The cash and investments of the Pension Trust and Permanent funds, as well as cortain restricted assets of the enterprise funds, are held separately from the pooled City funds.

All deposits of the City and its component units are collateralized in accordance with the Virginia Security for Public Deposits Act ("the Act"). Section 2.2-400 ot s. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, any public depository that receives or holds public depository insurance. Under the Act effective July 1. 2010. The Pooled Method requires any public depository that receives or holds public beposits ("Cualified Public Depositoris") shall elect to secure deposits by either the Pooled Method or the Decicated Method (which became available by amendments made to the Act effective July 1. 2010). The Pooled Method requires any public depositis in excess of Federal deposit insurance. The Pooled Method requires any public depositis in excess of Federal deposit insurance. The Pooled Method also provides that if any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of participating governmental entities. If the value of the pool's collateral where insectivate to cover a loss, additional amounts would be assessed on a pro rata basis to members of the pool. Under the Dedicated Method, Calabrial Dublic Depositions are responsible for securing their own public deposits, by the place of the loss of the pool of the public deposits and reportic or lateral amounts, priced at a minimum of 105% to 130% of all public deposits had by the bank, based on rating determined under the Act; and therefore will not be assessed for losses of another bank that is in default or has become insolvern. The State Treasury Board its responsible for monitioning compliance with the collateralization and reporting redirements of the Act and for notifying local governments of compliance by banks. Both methods of securing public deposits are somisidered to be fully insurance. Furds deposited in accordance with the Act are considered to be fully insurance. Furds deposited in accordance with the Act are considered to be fully metaure.

### Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or colleteral securities that are in the possession of an outside party.

The City's equity and fixed income investments (except for bank deposits) are not insured and are registered in the name of the City and held by. State Street Bank as custodian. The remaining City investments are held by the City or in the City's name by the City or ustodial banks. The policy for the Pension Trust fund is that all securities purchased by or for the System be properly and clearly bladed as an asset of the System and held in safekeeping by a third party custodial bank or institution in compliance with Section 2.2-4515 of the Code of Virginia. The City and

its other component units have no formal policy regarding custodial credit risk for investments.

#### Interest Rate Risk

The City's Pension Trust fund uses a "Duration" policy to manage its interest rate risk. The duration policy is a measure of a debt investment's exposure to fair value changes a arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

Other than for the assets of the City's Pension Trust fund, neither the City nor discretely presented component units have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Segmented Time Distribution (as of June 30, 2013)

#### Primary Government

						ņ	Investment Maturities	ies		
Investment Type		Fair Value	-	Less than I year	1-3 years		3-6 years	9	6-10 years	10 years +
Corporate Debt	S	9,124,814 \$	S	4,073,332 \$		2,194,914 \$	\$ 001,691,1	S	8 19,000 \$	844,469
Futures/Options/Swaps		422,075		(439,071)	36,5	616'98	(67,025)		(12,471)	859,723
Asset Backed Securities		6,643,387			377,526	526			1,116,717	5,149,145
US Government Securities		64,049,044		1,838,945	28,390,948	348	14,142,974		19,676,177	
Montgage Backed Securities		88,986,622		629			3,799,536		9,078,844	76,107,624
Repurchase Agreements		13,900,000		13,900,000						
Certificates of Deposit		200,000		200,000						
Common Stock		5,839,854								5,839,854
Master Limited Partnerships		42,089,198								42,089,198
Municipal Bonds		8,168,595		285,165					650,340	7,233,090
Foreign government securities		646,898		646,898						
Fixed Income Funds		143,072,559								143,072,559
Domestic Equity Funds		519,603,045								519,603,045
Real Estate Funds		45,912,821								45,912,821
Money Market Funds		136,991,835		136,991,835			٠			
Total	9	1.085 650 747	4	2 117 107 731	- 1	3 10503011		9	3 1098CF IF 3 325 890 61	865 ME 9F8

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

A reconciliation of the carrying value of deposit and investments as reported above to amounts reported in the Statement of Net Position (Primary Government) and the Statement of Folkolary Net Position for the City is as follows:

Per EXAMIL (*Pirmago Overmeent):         \$ 211,743,766           Cash and short term (mestiments)         \$ 222,962           Restricted cash held with fiscal agents         \$ 22,962           Investments         \$ 453,393           Restricted cash and investments         \$ 82,76666	Total \$ 305,696,786 Per Exhibit C-1 (Fidudary):	Cash and short term investments 25,965,725 Investments 925,523,385 Total \$951,489,090	Total Primary Government and Fiduciary \$ 1,257,185,876	s cash 171,535,129	Denosits and investments reported above \$ 1.085,650,747
Per Exhibit Cash ar Restrict Investm Restrict	Tot Per Exhibit	Cash ar Investm Tot	Total Prima	Less cash	Denosits a

### Credit Risk Related to Issuer

Credit risk is the risk that an issuer or other counterpartly to an investment will not fulfill its obligations. The City's Pension Trust funds formal policy governing credit risk is that securities rated below investment grade by two of the three primary rating agencies. Moody's Investors Services ("Moody's"), Fitch Ratings ("Fitch"), and standard and Poor's ("SaP"), are not permitted without the written permission of the board. PlMCO has been given the authority by the board to invest Cay's of the porticion in below investment grade securities. The City's Pension Trust fund invests in certain derivatives including futures, swaps and options. Those securities are included in reported investments in the Retirement System's financial statements. Investments in derivative instruments are considered to be investment and not hedges. The System primarity enter sind betwaiter assections in order to manage risks from exposure to foreign currency rate fluctuation and to shorten the duration of the fined income investment perfectled or record in change at risk from exposure to foreign currency rate fluctuation and to shorten the duration of the fined income investment and proficiol. The City's rated obtain vestments as of June 30, 2013 were rated by S&P and/or an equivalent national rating organization and the ratings are presented below using the S&P credit quality rating scale.

mary Government's Rated Debt line-strant

		Futures Optio	Future: Optio Asset Backed		US Coverances	US Government Meetgage Backed	Repurchase	Carthates of		_		Equity Real Estate	Meany.)
S&P) Cc	Corporate Debt	ns/Syaps	Scentios	Government	Socuritos	Seartiks	Agreements	Bepasit	Common Stock	Partnerships	Municipal Bends	Fund	Funds
S YY		- 8	08101 \$			8 348,739			. 8	. ,			
Akr													\$2,197,213 \$
Y+			1,116717		7,86,602	11,131,901							
_			L								922,734		
٠						3,23,528					8003		
ė													33(3)
						2,15,310							
H	287430		L		1,558,945						133,971		
H	1,574,490												
88+											#15,008		
88	304,504												
88													
B+													
_													
pur.													
dov	1761,425		38350										
Sec Band	2,06,975	510/074	0999815	86'99	169'(10'55	61,886,144	0300000	20000	183,65,2	43,00,198	65987	T6,58,415	619'893'01
Total S	1191010	a season a								ĺ	ĺ		

The City's Pension Trust fund held \$519,603,045 and \$45,912,821 in Domestic Equity and Real Estate Funds respectively, and an additional \$143,072,559 in Fixed Income Funds which are unrated securities.

### Concentration of Credit Risk

Concentration risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Mutual funds are excluded from this disclosure requirement. For the City's Pension Trust fund investment, no more than 20% of each accounts fixed income portfolio, including cash equivalents, shall be invested in bonds rated Bas (1, 2 and 3) or BBE (4 or 1). Upon writhen request from an investment manager, the Retirement Board of Trustees will consider allowing more than 20% in these ratings and the purchase of bonds rated below Baa3 or BBB-.

Other than for the assets of the City's Pension Trust fund, neither the City nor its component units have a formal investment policy regarding the amount it may invest in any one issuer.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City's Pension Trust fund's exposure to foreign currency risk is presented as follows:

Currency	Fixed-Income
Brazilian Real	732,669
Canadian Dollar	(17,039)
Japanese Yen	(153,349)
Mexican Peso	1,329,027
	\$ 1891308

Neither the City nor its component units have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates.

#### School Board

At June 30, 2013, the School Board has investments of \$17,838,236 in an Aaa rated money market mutual fund and other cash of \$22,784,931 including \$4,781,444 held in agency funds.

#### Waterside Associates

At June 30, 2013, Waterside had \$59,453 of cash and short term investments.

#### III. Property Taxes

Local real property assessments are made under the direction of a City Assessor appoined by the City Council. The City has the power to levely taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. States are established by the City Council. The rates in effect for the year ended June 3, 2013 on each \$100 of assessed value, were \$1.11 for real property, an additional \$0.16 for the Downtown Improvement District, \$4.33 for motor vehicles, \$1.50 for recreational vehicles, \$4.25 for machinery and tools, \$1.11 for mobile homes, \$2.40 for appianes, \$5.05 for recreational boats and \$1.30 for business boats. The City has a Real Estate Tax Relief Program for Norfolk homeowers who are \$65 and older or dorsompletely disabded and meet certain eligibility requirements. Disabled veterans pay a discounted rate of \$3.00 on each \$100 of assessed for personal property.

### The property tax calendar is as follows:

	Real Property	Other than Real Property
Lien date	July 1	January 1
Levy date for existing property	July 1	January 1
Levy date for real property improvement, new construction or newly acquired property	October 1, January 1 and April 1	Date of acquisition
Due dates	September 30, December 5, March 31 and June 5	June 5 or 30 days after acquisition
Collection dates	On or bef	On or before due date

In the event any installment of taxes on any of the above properties is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code of Ordinances.

### IV. Accounts Receivable

### A. Unbilled Accounts Receivable

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2013.

\$ 766,072	4,998,701	1,252,303	213,791
Storm Water special revenue fund	Water Utility fund	Wastewater Utility fund	Parking Facilities fund

The associated revenue is included in charges for services. All amounts were billed in July 2013.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

## B. Allowances for Uncollectible Accounts Receivable

Allowances for uncollectible accounts receivable are generally established using historical collection data, consideration of economic conditors, specific account analysis and subsequent cash receipts. The allowances at June 30, 2013 are as follows:

Primary Government: General Fund:

Taxes	↔	13,830,623
Accounts		22,493,103
Total - General Fund		36,323,726
Community Service Board special revenue fund		371,169
Storm Water special revenue fund		447,800
Parking Facilities Fund		9,789,695
Water Utility fund		2,700,000
Wastewater Utility fund		850,000
Total - Primary Government	\$	50,482,390
Component Units: Waterside Associates	€9	23,801
Total - Component Units	↔	23,801

### V. Due From Other Governments

Amounts due from other governments, at June 30, 2013 are as follows:

				Lotal	Š	Component Unit
		General	ď	Primary		School
Commonwealth of Virginia:	l		1		l	
Shared expenses	69	5,783,707	S	5,783,707	69	
Categorical aid		381,962		385,936		•
Non-categorical aid		17,697,893		17,697,893		17,071,311
Non-major governmental funds grants				4,544,971		38,403
Enterprise funds				100,199		
Total - Commonwealth of Virginia		23,863,562		28,512,706		17,109,714
Federal Government:	l					
Major governmental funds		1,234,560		1,247,517		16,194,990
Non-major governmental funds grants				6,588,327		461,952
Build America Bonds interest subsidy				831,619		
Enterprise funds				152,113		
Total - Federal Government		1,234,560		8,819,576		16,656,942
Total - Due from other governments	ω	25.098.122 \$	S	37,332,282	s	33,766,656

#### VI. Capital Assets

A summary of changes in capital assets, at June 30, 2013 follows:

Ending	polipino	\$ 87,194,729	152,039,985	239,303,728	755,351,886	134,542,928	5,037,057	2,140,574,780	(324,309,344)	(20,221,341)	(3,609,394)	(979,394,816)	724,442,730	\$ 963,746,458		\$ 48,111,635	2,398,465	90,620,853	20,738,946	386,874,897	6,257,685	1,106,294,295	(4,112,424)	(110,130,731)	(4,160,723)	(318,122,162)	l	3 8/8,092,980	002.007		487,500	11,837,044	2	37,470,077	50,379,801	(6,624,976)	(90,910)	(196,354)	(33,386,424)	\$ 17,480,877
vernment Retirements/	0 20 0 0	\$ (2,052,900)	(62,009,779)	(07,002,079)	(75,650)	(6,900,679)	(9,211,141)	(15,301,683)	77,388		3,722	9,206,431	(446,095)	\$ (67,508,774)			ARR 134 1761	(66,134,176)		(14,441)	(1,026,710)	(1,041,151)		14,441	908,800,1	1,023,349	11 (0000)	9 (89,101,9/8)		(775	(775,510)			(1,395,915)	(1,395,915)		1 340 057	and and a	1,340,057 (55,858)	\$ (831,368)
Primary Government Retire	Section 19	\$ 3,084,403	84,616,233	96,007,78	3.787.061	8,432,720	9,840,624	90,848,236	(14,693,026)	(1,979,790)	(415,975)	(36.26.700)	55,607,544	\$ 143,308,180		\$ 108,618	90.400.052	39,586,353	862,333	16,400,322	353,842	70,560,330	(390,698)	(8,144,827)	(632,718)	(23,186,593)	400000000000	9 90,390,090		,				4,863,165	5,844,935	(527,293)	(2.421.176)	(196,354)	(3,144,823)	\$ 2,700,112
Beginning	Datalice, do reolated	\$ 86,163,226	132,433,531	218,000,771	64.516.731	132,010,887	4,109,969	2,065,028,227	(309,693,706)	(18,241,551)	(3,197,141)	(1.395.746.946)	669,281,281	\$ 887,947,052		\$ 48,003,017	2,330,682	117,068,676	19.876.613	370,489,016	640,505,615	1,036,775,116	(3,721,726)	(102,000,345)	(3,528,005)	740 818 108	0010000000	3 d5/,884,8/4	000000		1,263,010	11,837,044	1	34,002,827	45,930,781	(6,097,683)	(90,910)	In notional and	(31,581,658)	\$ 15,612,133
1	Governmental activities:	Land	Construction in progress	Depreciable assets:	Buildings Improvements other than buildings	Equipment and vehicles	Intangble assets Infrastructure	Total depreciable assets	Less accumulated depreciation/amortization: Buildings	Improvements other than buildings	Equipment and vendes Intangible assets	Infrastructure Total accumulated deneciation/amortization	Depreciable assets, net	capital assets, net	Business-Type activities:	Land	Intangible assets	Total non-depreciable assets	Depreciable assets: Land improvements	Buildings	Equipment and venicles Intangible assets	Totals depreciable assets	Land improvements	Buildings	Equipment and vendes Intangible assets	Total accumulated depreciation/amortization	Business-Type activities	Commonant units activities:	Non-depreciable capital assets:	Construction in progress	Total non-depreciable assets Depreciable assets:	Buildings and mobile classrooms	Building improvements	Equipment and vehicles	Total depreciable assets	Less accumulated depreciation: Buildings and mobile classrooms	Improvements other than buildings	Intangible assets	Total accumulated depreciation Depreciable assets, net	Component units activities capital assets, net

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#### CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

Depreciation expense was charged to governmental and business-type activities as follows:

Governmental activities: General government	69	4,457,741
Judicial administration		514,917
Public works, which includes the		, , , ,
depreciation of infrastructure assets	w	17,112,200
Health and public assistance		999, 106
Culture and recreation		4,530,382
Community development		574,064
In addition, depreciation on capital assets	ssets	
held by the City's Internal Service funds	nuds	
is charged to the various functions		
based on their usage of the assets.		292, 176
Total depreciation expense	↔	35,240,692
Business-type activities:		
Water Utility fund	69	12,348,880
Wastewater Utility fund		5,285,491
Parking Facilities fund		5,552,222
Total depreciation expense	<del>69</del>	23,186,593
Component unit activities		
School Board	69	2,872,830
Waterside Associates		271,993
Total depreciation expense	49	3,144,823

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2013:

		Expense	-	Revenue	ပ	Capitalized
Water Utility fund	₩	1,121,665	s	(128,258)	s	993,407
Wastewater Utility fund		523,713		(60,711)		463,002
	↔	1,645,378	S	(188,969)	\$	1,456,409

### VII. Short-Term Obligations

### A. Bond Anticipation Notes

On March 24, 2011, the City issued a \$51,655,000 General Obligation Bond Anticipation whole (BAN), Series 2011 (Tax-Exempt). The 2011 BAN consisted of Anticipation whole (BAN), Series 2011 (Tax-Exempt). The 2011 BAN consisted of a 56,830,000 Note with an interest rate of 2,00% and a \$14,725,000 Note with an interest rate of 2,000%. The proceeds of the Series 2011 BAN were used to current refund on April 1, 2011, the outstanding principal amount and accrued and unpaid interest on the City's General Obligation BAN, Series 20100.

On March 24, 2011, the City issued a \$23,650,000 General Obligation BAN, Series 2011B (Taxable) with an interest rate of 2.090% to yield 2.090%. The proceeds of principal ease 2011B BAN were used to current refund on April 1, 2011, the outstanding principal amount and accrued and unpaid interest on the City's General Obligation BAN, Series 2010D (Taxable).

Interest on both the Series 2011A and the Series 2011B BANs is payable semiannually on January 1 and July 1. Moody's Investors Sarvice, Inc. ("Moody's") reaffirmed the City's existing long-term rating 'Aac" on both the Series 2011 BeANs. Moody's additionable assigned a short-term rating of 'MIG-1" on both the Series 2011 BeANs. On September 26, 2013, Standard & Poor's Ratings Services upgraded the City's credit trainif from "Art" to 'Ast" on all outstanding services upgraded the City, redit trainif from "Art" to 'Ast" on all outstanding services upgraded the City, including the Series 2011 A and Series 2011 BeANs. Both the Series 2011 and the Series 2011 BeANs are general obligations of the City, including the Series 2011 and Series 2011 and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest.

Both the \$51,655,000 General Obligation BAN, Series 2011A (Tax-Exempt) and the \$23,650,000 General Obligation BAN, Series 2011B (Taxable) are included in the City's Outstanding General Obligation Bonds, and are classified as long-term obligations in the current year.

On November 7, 2013, the City refunded the Series 2011A and Series 2011B BANS with a portion of the proceeds of its \$130,930,000 General Obligation capital inforcement and Refunding Bonds, Series 2013A (Tax-Exempt), its \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) and its \$13,600,000 General Obligation Variable Rate Bond, Series 2013B (Taxable), See additional information on the new bond issuances included in Note XXV, Subsequent Events.

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

#### B. Variable Rate Bonds

# General Obligation Variable Rate Demand Bonds, Series 2007

The City issued \$32,365,000 in General Obligation Variable Rate Demand Bonds, Series 2007 (AMT) on March 29, 2007, to finance the Half Moone Curios & Series 2007 (AMT) on March 29, 2007, to finance the Half Moone Curios & Caberlation Center. As of June 30, 2013, \$25,975,000 remains outstanding and included in the City's long-term debt. The Series 2007 Bonds are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principlal and intensst.

Since the Series 2007 Bonds financed a project that is used by private cruise ship lines, interest paid to the bondholders infinally was subject to the alternative minimum ax (AMT). Taking advantage of a provision in the American Recovery and Reinvestment Act of 2009 (ARRA) that provided a holiday from the AMT for bonds issued in 2009 and 2010, the Clip permanently converted the Series 2007 Bonds from AMT to non-AMT tax staus on August 27, 2009. The Series 2007 Bonds were issued pursuant to the provisions of the Indenture of Trust dated as of March 1, 2007, (the "Original Indenture") between the Clip and Regions Bank, as bond tursele (the "Trustee (the Trustee). To effect the conversion, an Amerided and Restated indenture of Trust dated as of August 1, 2009, between the Clip and the Trustee (the "American dated as of August 1, 2009, between the Clip and the Trustee (the "American dated as of August 1, 2009, between the Clip and the Trustee (the "American dated as of August 1, 2009, between the Clip and the Trustee and restating the Original Indenture").

The Amended and Restated Indenture provides that the Series 2007 Bonds shall bear interest front time to in time in any one of seven interest Rate Perdox; (i) a Daily Rate Period, (ii) a Moekly Rate Period, (iii) a Monthly Rate Period, (iv) a Lonnercial Paper Period, (iv) an Indexed Put Rate Period, (iv) a Rate Period, and (ivi) a Fixed Rate Period, and (ivi) a Fixed Rate Period, All Series 2007 Bonds must be in the same interest Rate Period at any one time.

Additionally, the Amended and Restated Indenture provides that a portion of the Series 2007 Bonds maturing on August 1, 2037, in the amount of \$1,910,000 is subject to mandatory redemption. As a sinking fund, on August 1, 2036, the Trustee shall redeem \$1,910,000 of the Series 2007 Bonds, plus accrued interest thereon to the redemption date. The remainder of the Series 2007 Bonds are subject to redemption at the direction of the City, in whole at any time or in part on any Interest Payment Date, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the redemption date. The final maturity on the Series 2007 Bonds is August 1, 2037.

Since delivery, the interest rate period on the Series 2007 Bonds has been at the Weekly Rate. Liquidity for the payment of the purchase price of Bonds tendered for purchase by the owners is provided pursuant to a Standby Bond Purchase Agreement (the "Liquidity Facility") between the City and Lloyds TSB Bank pic (the Bonds is subject to conversion to another interest rate on the Bonds is subject to conversion to another interest rate mode, except from a Fixed Rate to another interest rate mode, and the option of the City, by mailing a notice thereof to the Trustee, the Credit Provider, Liquidity Purchases, the Paying Apent and the Remarketing Agent at least 30 days before the Conversion Date and, if the Conversion is from the Commercial Paper Period to

another mode, subject to certain limitations, accompanied by a preliminary written opinion of both Counsel stating that such Conversion is authorized under the indirect and will not adversely affect the exclusion of the interest on any of the mode, from the gross income of the recipient thereof for federal income tax minness.

The Liquidity Facility, which expires March 28, 2014, provides for the purchase of the Bonds which have been reledered. Lut not remarkeded. The unmanakeded Bonds held by the Bank (Her Sank Bonds), if any, shall bear interest at the Bank Rate in accordance with the Liquidity Facility. The Bank Rate on the Bank Bonds will be computed for the first 30 days to be the Base Rate, which for any day is the higher of the Pinne Rate or the Facelar Bonds and the Base Rate on the Bank Band will be computed for the first of the Facelar Bonds for days it due that the first of much. The Bank Rate on the Bank Bands bods so for some or many and the state of the Facelar Bank Rate on the Bank Bands and so for some or the Bank Bands and the Base Rate plus 1,50%. At 91 days and onward, any advances made under the Liquidity Facility, if any, will constitute a Term Loan and interest will be calculated as the Base Rate plus 2,00% (the "Term Loan Rate"). Repayment of the Term Loan shall be repaid by the City in sixty (60) equal monthly installments the first of which installments will be paid on the 90" day following the commensemed date of the Term Loan, to every second to the separation for the experiment of paging in the Order of Sci00,000 and integral multiples of \$100,000 in a minimum aggregate principal amount of \$500,000 and integral multiples of \$100,000 in a minimum aggregate principal amount of \$500,000 and integral multiples of \$100,000 in casces thereof. In preparation for the expiration of the covered edity facility provider valued pages to evaluate the proposal and select a new flight facility provider by the city will begin remarketing the Bonds with the new liquidity facility provider by the end of February 2014, the Bonds with the new liquidity facility provider by the page and a february 2014.

Through June 30, 2013, all the Series 2007 Bonds have been successfully remarketed by the remarketing agent.

# Parking System Revenue Refunding Bond, Series 2012 (Taxable)

On August 15, 2012, the City issued a \$5,845,000 Parking System Revenue Refunding Bond. Senes 2012 (Taxable) to the Bank of Anenical. NA, to refinance the previously issued Variable-Rate Parking Revenue Bonds, Series 2004A (Taxable). Proceeds from the issuance of the 2012 Bond, along with other available funds, were used to defease the outstanding aggregate principal amount of \$5,940,000 of the 2014A Bonds.

Interest on the 2012 Bond is paid in arrears on each February 1, May 1, August 1 and November 1, 2012, at an interest rate of LIBOR, plus 1.10% Mendatory Silking Fund amounts are paid annually, beginning August 1, 2013, with a final maturity of August 1, 2018.

On November 7, 2013, the 2012 Bond was refunded with a portion of the proceeds from the issuance of the City's \$130,990,000 General Obligation Capital from the issuance of the City's \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt) and \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

(Taxable). See additional information on the new bond issuances included in Note XXV. Subsequent Events.

### VIII. Long-Term Obligations

### General Obligation and Revenue Bonds

The City has traditionally issued general obligation or revenue bonds to provide funds for the construction and adulation of adjustifies. General obligation bonds have been issued for both governmental and business-type activities. In 1993 and 1997 the City established Water revenue and Parking restablished in fiscal year 2008.

General obligation bonds are direct obligations and pledge the full faith and credit of the CM. Revenue bonds are limited liability obligations where revenues derived from the respective acquired or constructed assets are pledged to pay debt service.

On November 7, 2013, the City refunded all of its outstanding Parking System Revenue Bonds with General Dolligation Bonds, utilizing a portion of the proceeds from its \$130,980,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt), its \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) and its \$1,360,000 General Obligation Variable Rate Bond, Series 2013D (Taxable), With the Series 2013 Refunding, the Parking System Master Indenture of Trust has been defeased. See additional information on the new bond issuances included at Note XXX. Subsequent Events.

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2013, follows:

					E	Enterprise Funds				
	Ag. o	Governmental Activities - General		Water Utility	r	Wastewater Utility	E E	Parking Facilities		Total
	Obli	Obligation Bonds		Bonds		Bonds		Bonds	Ente	Enterprise Funds
General obligation bonds outstanding										
at July 1, 2012	s	687,875,882	s	1,838,422	s	111,501,658 \$		74,569,469	s	187,909,549
3 ands retired		(49,932,457)		(739,589)		(6,946,909)		(1,088,426)		(8,774,924)
3onds refunded										
3 Sonds transferred		•		•		٠		•		
Sonds reamortized		1		•				•		,
Sonds issued		1		•				•		,
Bonds outstanding at June 30, 2013		637,943,425		1,098,833		104,554,749		73,481,043		179,134,625
Unamortized (discount) premium		26,965,217	J	(9,607)		4,177,824		815,711		4,983,928
General obligation bonds outstanding at June 30, 2013, adjusted for unamortized (discount) premium	ø	664,908,642	s,	1,089,226 \$	92	108,732,573 \$		74,296,754	os.	184,118,553
Revenue bonds outstanding at July 1, 2012			°	296,375,000	×	33,890,162 \$	· s	82,255,000	S	412,520,162
3onds retired				(7,000,000)		(1,725,000)		(2,555,000)		(11,280,000)
Bonds refunded								(5,940,000)		(5,940,000)
Bonds issued				43,070,000		11,225,333		5,845,000		60,140,333
Bonds outstanding at June 30, 2013				332,445,000		43,390,495		79,605,000		455,440,495
Unamortized (discount) premium				34,350,343		(81,695)		(2,876,657)		31,391,991
Revenue bonds outstanding at June 30, 2013, adjusted for unamortized (discount) premium			s	366,795,343	×	43,308,800 S		76,728,343	so.	486,832,486
Total bonds outstanding at June 30, 2013,			s	367,884,569 \$		152,041,373 \$ 151,025,097 \$	_	51,025,097		670,951,039

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# CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

General obligation and revenue bonds outstanding at June 30, 2013, are composed of the following individual issues:

### Series 1889 Property Acqualition 1771;  ### Series 2000 CDAG	1		0.000 0.000 0.000	Adocation			2000	NI CONTROL		
1 0.02/48 1 0.02/48 1 0.02/49 1 VPA 3 Capital Improvement and 1 Refunding	711/1989 3	\$ 1,500,000	6.76%	\$ 1,500,000	8				s	1,500,000
1 02/48  2 Property Acquisition  VRA  3 Capital Improvement and  1 Refunding	1/22/2000	3.637.170	none	279.782	8					279.782
2 Property Acquisition 3 VPA 3 Capital Improvement and 1 Reference	100007200	1.062,830	9000	184 DM	1 4					184.041
3 VRA 3 Captal Improvement and 1 Refunding	2714/2002	3,400,000	6.38%	3,400,000	8					3400,000
3 Capital Improvement and 11.	4/8/2003	9.423.794	2,00%				6.275562			6.275.562
1 Belanded										
1 Beharden	1/15/2003	69.375.000	3.63%	2.800.010	0		54990			2,855,000
	3/1/2004	96.395,000	4.00 - 5.00%	14.304.743	53		2.400257			16.705.000
consisten	729/2004	1,775,000	7.00%	960.435	19					960.435
	2/17/2004	11 100000	3.10%				8 110 532			8 110 632
al Improvement and										
	9/16/2005	94.355,000	4.125 - 5.00%	28.640.717	17		3.624283			32,265,000
VRA	V14/2008	11.187.809	2.25%				8 885 198			8 885 198
Series 20068 VRA 9/28	9/28/2006	14,250,000	none				10.687.500			10.687.500
Improvement and										
Refunding 11/15	1/15/2008	115,055,000	4.00 - 5.00%	17,423,662	22		1,505,029	496,308	m	19,425,000
			Variable - June 30, 2013, rate							
3/29 3/29 3/29	729/2007	32.365,000	0/0.08%	29.675.000	8					29.675.000
Series 2008A&B Refunding 2/13	713/2008	17.160,000	3.00 - 4.628%	8.060.000	8					8.060.000
ement 6	/30/2008	153,605,000	4.70 - 5.00%	78,175,000	8		17,290,000			95,465,000
Series 2009A Capital Improvement 5/21	/21/2009	55,280,000	2.00 - 4.375%	41,580,000	8					41.580.000
Series 2009B Refunding 5/21	421/2009	21,895,000	3.00 - 5.00%	7,794,181	150	1,098,833	674,057	282,930		9,850,000
-	721/2010	49,875,000	1.75 - 5.00%	24,818,786	88		1,788,510	3,732,704		30,340,000
_	721/2010	117,650,000	4.04 - 5.962%	108,841,905	×		8,808,095			117,650,000
	0,525/2010	6,000,000	2.00 - 4.00%					4,500,000		4,500,000
rovement	0/25/2010	9,000,000	2.50 - 5.60%	4,500,000	8					4,500,000
Series 2010G Refunding 5/21	421/2009	90,165,000	2.50 - 5.00%	83,098,008	8		6,867,368	199,626		90,165,000
Series 2011A Bond Articipation Note 3/24	724/2011	51,655,000	2.00 - 3.00%	10,561,863	88			41,093,137		61,655,000
pation Note 3	/24/2011	23,650,000	2.09%	2,099,982	88			21,550,018		23,650,000
Series 2012A Refunding 5/30,	430/2012	69.030,000	2.00 - 5.00%	61,445,313	22		5,958,367	1626.320		69,030,000
40	430/2012	7.805,000	2.00 - 4.00%	7,805,000	8					7.805.000
Series 2012C Capital Improvement 6/28	/28/2012	114,270,000	2.00 - 5.00%	92,645,000	8		21,625,000			114,270,000
Scries 2012D Capital Improvement 6/28	728/2012	7,350,000	4.35%	7,350,000	8			•		7,350,000
fotal General Obligation Bonds			•	\$ 637,943,425	92	1,098,833	\$ 104,554,749	\$ 73,481,043	3	817,078,050

Balance	Outstanding	12,340,000	15,155,000	21,935,000	17,020,000	24,330,000	14,025,000	54,385,000	6,750,000	45,580,000	9,500,000	8,179,745	172,390,000		5,845,000	4,935,751	43,070,000	
	Parking Facilities	12,340,000	15,155,000	21,935,000		24,330,000									5,845,000			
Wastewater V	USITY	1					14,025,000		6,750,000		9,500,000	8,179,745				4,935,751		
	WaterUsity	ŀ			17,020,000			54,385,000		45,580,000			172,390,000				43,070,000	
	Interest Rate	4.70 - 5.00%	5.50%	4.00 - 5.00%	3.50 - 5.00%	4.00 - 5.00%	90000	300-500%	0.00%	200-450%	%00'0	%00'0	200-500%	Variable - June 30, 2013, rate	of 1.298%	0.00%	5.00%	
	Dated	2/15/1999	10/1/2000	10/28/2004	3/23/2005	6/15/2005	11,9/2007	4/23/2008	11/17/2009	9/30/2010	10/19/2010	10/21/2011	4.4/2012		8/15/2012	12/18/2012	2/20/2013	
	Bond Issue/Purpose	Series 1999 Parking System Revenue	Series 2000B Parking System Revenue and Refunding	Series 2004B Parking System Revenue and Refunding	Series 2005 Water Revenue and Refunding	Series 2005 Parking System Revenue Refunding	Series 2007 Wastewater Revenue	Series 2008 Water Revenue	Series 2009 Wastewater Revenue	Series 2010 Water Revenue	Series 2010 Wastewater Revenue	Series 2011 Wastewater Revenue	Series 2012 Water Revenue Refunding		Series 2012 Parking System Revenue Refunding	Series 2012 Wastowater Revenue	Series 2013 Water Revenue	

The Parking System Revenue Refunding Bond, Series 2012 reset at an interest rate of 1.298% as of June 30, 2013.

The Series 2007 General Obligation Variable Rate Demand Bonds, utilized to finance the construction of the cruise terminal, are remarketed weekly and reset at an interest rate of 0.08% as of June 30, 2013.

### B. General Obligation Bonds

A summary of the requirements to amortize general obligation bonds are as follows:

	Government	Governmental Activities	Business-type Activities	e Activities
rear Ending June 30,	Principal	Interest	Principal	Interest
2014	89,191,397	27,648,588	71,361,310	5,767,230
2015	46,510,754	25,168,691	8,874,461	3,863,119
2016	42,707,184	23,166,161	7,651,869	3,549,337
2017	42,326,491	21,242,811	7,577,023	3,271,215
2018	40,066,588	19,417,786	7,319,448	3,012,450
2019-2023	183,060,922	70,629,662	35,285,004	11,924,784
2024-2028	130,646,518	33,724,241	32,659,081	5,514,002
2029-2033	54,133,571	9,027,192	8,406,429	985,342
2034-2038	4,650,000	1,743,750		
2039-2043	4,650,000	581,250	•	•
Total	\$ 637,943,425	\$ 232,350,132	Total \$ 637,943,425 \$ 232,350,132 \$ 179,134,625 \$ 37,887,478	\$ 37,887,478

The detailed requirements to amortize general obligation bonds for the major proprietary funds are as follows:

ear Ending	Water Utility Fund	lity Fund	Wastewater Utility Fund	Jtility Fund	Parking Faci	Parking Facilities Fund
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2014	551,047	41,165	7,190,984	3,739,135	63,619,279	1,986,929
2015	547,786	13,695	7,346,109	3,454,629	980,566	394,795
2016			6,893,794	3,219,245	758,075	330,092
2017	٠		6,983,574	2,974,010		297,205
2018	٠		6,727,142	2,732,506		279,944
2019-2023	٠		32,348,159	10,814,362	2,936,845	1,110,422
2024-2028	٠		29,903,559	4,956,497	2,755,522	557,505
2029-2033	٠		7,161,429	884,504	1,245,000	100,838
2034-2038	٠					
2039-2043	•				,	•
	\$ 1.098.833	\$ 54.860 \$	\$ 104.554.749	\$ 32,774,888	\$ 73.481.043	\$ 5.057,730

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

#### C. Revenue Bonds

The Water Revenue Bond covenants require that each year's Water Utility fund net revenue not be less than the greater of (i) the sum of 1.1 times senior debt senvice and 1.0 times subordinated debt service or (ii) 1.0 times the funding requirements for transfers from the revenue tand to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repart and replacement reserve fund and the rate as stabilization fund. Bursuant to the terms of the revenue bond indenture, certain resources have been set aside for the reparant bonds. These resources are classified as restricted cash and investments on the Statement of Net Position because their use is limited by applicable bond coverants.

The Wastewater Revenue Bond covenants require that each year's Wastewater Utility fund net revenue will equal at least 1.15 fines the amount required during the Residue of the payments and all other indebtedness of the borrower payable from revenues, including without limitation, indebtedness under eases which are reated as capital leadungs under gases under Rease with a reteated as capital leases under GAAP, but excluding any general obligation bonds issued to finance wastewater system property. These resources are classified as restricted investments on the Steament of Net Position because their use is limited by applicable bond covenants.

The Parking Revenue Bond covenants require that each year's Parking Facilities fund net revenue not be less than the greater (if) the sum of 1.25 times senor debt service and (ii) 1.0 times subordinated debt service and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the partly debt service fund, the debt service reserve fund, the MacAthur Center garage reserve fund, the repair and replacement reserve fund, the surrety bond interest fund and the subordinate debt service fund. Fursuant for the terms of the revenue bond indenture, certain resources have been set aside for the repair expandent of the revenue bonds. These resources are classified as restricted investiments on the Statement of Net Position because their use is limited by applicable bond covenants.

As of November 7, 2013, the Parking System Master Indenture of Trust has been deteased. Therefore, this coverant is no longer applicable to the Parking Fazilites Fund after that date as all of the outstanding debt under the Master Indenture of Trust was refunded with a portion of the proceeds of the City's \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 20134 (Tax-Exemp), its \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 20134 (Tax-Babel) and its \$13,600,000 General Obligation Variable Rate Bonds, Series 20136 (Taxable). See additional information on the new bond issuances included in Note XXXV. Subsequent Events.

The detailed requirements to amortize Water, Wastewater, and Parking revenue bonds are as follows:

		1											ı
Wastewater Utility Revenue	Interest		·										ľ
			S										S
	Principal		1,957,500	2,369,150	2,369,150	2,369,150	2,369,150	11,845,749	11,845,749	7,620,749	644,150	٠	43,390,496
			S										S
Sevenue	Interest		3,703,952	3,569,082	3,449,724	3,312,934	3,169,365	13,422,161	8,273,929	2,244,333	99,674	•	41,245,154
tie.			6										S
Parking Facilities Revenue	Principal		2,850,000	2,985,000	3,100,000	3,255,000	3,400,000	19,785,000	24,495,000	17,655,000	2,080,000	٠	79,605,000
			S										S
evenue	Interest		15,630,219	15,398,269	15,047,794	14,591,519	13,994,269	58,512,744	36,581,581	21,352,163	11,175,566	2,556,681	204,840,803
IV.R			S										S
Water Utility Revenue	Principal		7,250,000	7,805,000	8,750,000	10,655,000	13,860,000	83,990,000	82,380,000	48,575,000	42,395,000	26,785,000	332,445,000
			S										S
Year Ending	June 30,		2014	2015	2016	2017	2018	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	Total

### D. Current and Advanced Refundings

Previously, the City of Norfolk defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the flust account assets and the liability for the defeased bonds are not included in the fund's financial statements.

#### CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

At June 30, 2013, the following defeased bonds from advance refunding are still outstanding:

Defeased In	Original Issue	Amount	Redemption
2011	2003	28,550,000	12/1/2013
2011	2005	20,950,000	3/1/2015
2011	2006	7,650,000	10/1/2014
2011	2008C	23,135,000	4/1/2017
2012	2004	205,000	8/1/2013
2012	2004	12,030,000	8/1/2014
2012	2005	5,580,000	3/1/2015
2012	2006	55,745,000	10/1/2014
		\$ 154,145,000	
Water			
Defeased In	Original Issue	Amount	Redemption
2012	2005	2 72 0 000	2100/1/11

#### G. Lease Obligations

#### Operating Leases:

The City leases various facilities for operational and office space from various lessors under operating leases. Total rental expenditures under these leases were \$5,181,894 for the fiscal year ended June 30, 2013.

Future year lease obligations are listed below:

Year Ending		Lease
June 30,	0	Obligations
2014	e	5 141 042
2014	<del>)</del>	4 681 185
2016		4,132,795
2017		1,931,977
2018		616,542
Thereafter		2,593,285
Total minimum lease payments	49	19.097,726

Effective July 1, 2012, the Norfolk Community Services Boards (CSB) became a special revenue fund of the Clty and as a result the Clty has assumed responsibility for its leases. CSB's leases are included in the preceding table.

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#### H. Landfill Liability

The Campostella Landfill was issued a permit by the Virginia Department of Health on February 18; 1881 to operate a construction demolition debis (CDD) waste landfill. The landfill accepted primarily CDD and inert waste in addition to sanitary and debits waste. The landfill stopped receiving waste on June 30, 1992. The and debits waste. The landfill stopped receiving waste on June 30, 1992. The virginia Department of Environmental Quality (DEQ) approved the Gosure certification and officially designated the facility closed on August 2, 2002. State and elected laws reque the City to perform oredain maintenance and monitoring activities at the site for 10 years after regulatory closure. During the fiscal year ended June 30, 2010, the DEC nonfilled the City that it must demonstrate corrective action and 10 years of post-close care costs beyond December 31, 2010. The \$1,412,900 reported as an obligation for landfill closure and post-closure costs at June 30, 2012, reflects the estimated for land rost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

The Campostella landfill statistically exceeded groundwater protection standards in May 2002. Until a remedy for corrective action is chosen and approved, \$1,000,000 is included in the liability above for groundwater corrective action as required by state law. It is not anticipated that a corrective action will be approved within one year, as such the entire amount is reported as a long-term liability.

#### Compensated Absences

A liability for vested vacation and sick leave benefits is recorded as general longterm obligations. These benefits represent future obligations of the following funds and component units:

	\$ 15,477,134	1,055,080	\$ 16,532,214		\$ 1,084,482	360,940	293,992	\$ 1,739,414	\$ 9,254,571
Primary Govemment: Govemmental activities:	General fund	internal service funds	Total governmental	Enterprise funds:	Water Utility fund	Wastewater Utility fund	Parking Facilities fund	Total enterprise funds	Component Unit - School Board

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

#### J. Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City without referendum. At June 30, 2013, the City's debt limit is \$1,631,994,848 of which \$1,013,926,798 is a valiable for the issuance of additional debt. There are no overlapping tax jurisdictions.

### K. Bonds Authorized and Unissued

A summary of bonds authorized and unissued as of June 30, 2013 are as follows:

Projects		Total
Bonds Authorized and Unissued:		
Capital Fund Projects		
General Capital Improvement Projects	49	\$ 181,938,455
Maritime Center Capital Improvement Projects		•
Towing and Recovery Capital Improvement Project		3,091,084
Storm Water Capital Improvement Projects		3,500,000
Capital Fund Projects Total	↔	\$ 188,529,539
Water Utility Fund Projects		75,235,932
Wastewater Utility Fund Projects		12,485,748
Parking Facilities Fund Projects		74,554,084
Bonds Authorized and Unissued	υ	\$ 350,805,303

#### Changes in Long-Term Obligations نـ

A summary of fiscal year 2013 changes in long-term obligations, net of unamortized discounts and premiums, are as follows:

	J	16	8 88 lsl	8	glgl	8	2 8 8 £	z . <b>I</b> z	2		8 22	<i>19</i>
	Amounts Due Within One Year	89,191,397	10,105,000	102,911,120	152,700	103,063,820	7,801,047 9,148,484 66,469,729 83,419,280	949,774	84,369,034		6,940,929 	7,207,067
	` >	40	11		- 11	60	60		60	40		so.
	Endng Balance	664,908,642	16.286.074 24,590,965 30,000 30,837,239 1,412,900 73,427,178	738,335,820	246,140	738,581,960	367,884,569 152,041,373 151,025,097 670,361,039	1,739,414 2,768,619 3,325,128 7,833,161	678,784,200		9,254,571 14,092,158 2,773,723 46,184	26,166,636
		40				s	40		69	49		60
Primary Government	Reductions	52,498,750	9,048,650 4,045,599 30,000 4,863,716 245,538 18,233,503	70,722,253	114,139	70,846,392	3.472.073 9.082.342 9.833.823 22.338.238	974,070 423,950	23,726,258	4,285,529	10.375.461 3.928.538 1.078.585 567.744 181.030	20,409,857
imary		40				so	69		us.	40		so.
d	Additions		8,832,413 5,766,923 4,300,564	18,898,900	70,048	18,968,948	43,070,000 11,225,334 5,845,000 80,140,334	982,505 604,229 3,325,128 4,911,862	65,052,196		10,882,048 6,309,396	17,765,449
		40				s	40		so	49		
	Balance, restated	717,407,392	16,502,311 22,870,641 390,000 31,400,391 1,668,438 72,761,781	790,169,173	290,231	790,459,404	328,226,642 149,898,381 155,013,920 633,138,943	1,730,979 2,588,340	637,458,262	4,285,529	8,967,984 11,711,300 1,078,565 2,728,126 39,550	28,811,044
	Beli	40	- 11			so	60		so	40		so.
		GOVERNMENTAL ACTIVITIES: Bonds and Notes Payable: General obligation bonds	Other Libbilities: Vedeo compensat or absorbes Vedeo compensat or absorbes Other post employment bondits Restroe's list hard arro- Self-hard arro- Landill closure and post-closure costs Total Other Liabilities	Governmental Activities Long-term labilities	Internal Service Funds: Vested compensated absences Total Internal Service Funds	Total Governmental Adivities	BUSINESS-TYPE ACTIVITIES: Bords and Notes Payable: Washermer Washermer Parking lacifies Total Bonds and Notes Payable	Other Labrities: Veeled compones de abomces Other post employment benefits Contractual chigations Total Other Liabrities	Total Business-Type Activities	COMPONENT JURITS.  Bonds and Notes Payable: Vaterable Associates	Other Liabilities - Nort of Public Schools: Veesdo componessed albannoss Other post employment benefits Polision remediation Workers' componession claims Claims liability	Component Units long-term obligations

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 39, 2013

#### Pension Plans ×

The City and its component units participate in three defined benefit pension retirement plans. These include the Employees Retement System (ERS) to the City of Norfolk (Note TAX); a Virginia Retirement System (VRS) plan administered by the Commonwealth of Virginia for the benefit of Norfolk School Board employees (Note X.B.); and a VRS plan for the benefit of state employees in constitutional offices (Note X.C.) in addition, the School Board has defined contribution plan.

#### Employees' Retirement System of the City of Norfolk (ERS): Ä

#### Plan Description

The Employees' Retirement System of the City of Norfolk (ERS) is the administrator of a single-employee contributory, defined benefit pan (the Plan) that covers subsantially all employees of the City, excluding School Board and Constitutional Offices' employees who are covered by the Virginia Retirement System. The ERS provides retirement benefits as well as death and disability benefits. All benefits vest affer Sy agars of creditable service. Cost-of-living adjustments (COLAs) are provided at the discretion of the City Council. The ERS and its benefits are established by Section 37 of the Code of the City of Norfolk, Virginia as amended. All employees there no rafter October 5.2010 contibute 5% of companies of not after October 5.2010 contibute 5% of companies of not after October 5.2010 contibute 5% of companies are not of the Cotober 5.2010 contibute 5% of companies are separate publicly available financial report that includes financial statements and also issues a separate publicy available financial report that includes financial statements and required supplementary information for the ERS. That report may be obtained by writing to Employees. Retirement System of the City of Norfolk, City Hall Building, 810 Union Street, Suite 309, Norfolk, VA23510.

#### **Funding Policy**

Section 37 of the Code of the City of Norfolk. Virginia, established the authority under Which the City's obligation to contribute to the Plan is determined. Contribution requirements are actuarially determined at the end of each fiscal year and 250.04 pt City in the ensuring year. The contribution requirement of \$25.04.92 for the fiscal year ended June 30, 2013 was based on 23.8% of covered payroll for general employees and for public safety employees. This contribution requirement is recorded in the City's Staement of Net Position as liability payable to the Persion Trust fund and will be made in fiscal year 2014.

#### **Annual Pension Cost**

For fiscal year 2013, the ERS's annual pension cost was equal to the City's required and actual (to be made in fiscal year 2014) contribution. The required contribution was determined as part of the June 30, 2013 actuaria valuation using the entry age normal method. The amontization method used is level dollar open except for the public safety retirement enhancement program which is amortized over a closed 20-year period commencing July 1, 2005 and the Voluntary Retirement incentive

Program which is amortized over a closed 20-year period commencing July 1, 2012. Significant actualial assurptions included: (i) 7.0% investment trace of return (net of amounts rather expenses), (i) projected average salary increases of 5.6% for ingation rather objects of 6.8% for projected average salary increases of 5.6% for ingation rate of 20.9%. The actualial value of assers was determined usuing techniques that smooth the effects of short-term volaility in the market value of investments over a three-year period. The remaining amortization period at June 30, 2013 was 12 years.

#### Three-Year Trend Information

Net Pension	Obligation	- 69	· 69	69
Percentage of	APC Contributed	100%	400%	100%
Annual	Pension Cost	\$ 42,828,229	\$ 41,466,456	\$ 42,330,492
Fiscal Year	Ended	June 30, 2011	June 30, 2012	June 30, 2013

### Funding Status and Funding Progress

The schedule of funding progress which presents current year information about the actuarial value of the Plan assets and the actuarial accrued liability for pension benefits as follows:

#### CITY - EMPLOYEES' RETIREMENT SYSTEM

%of	Covered	Payroll
	Covered	Payroll
	Funded	Ratio
Actuarial	Accrued	Liability (UAAL)
Accrued	Liability	(AAL)
Actuarial	Value of	Assets
Actuarial	Valuation	Date

-111.5%

82.3% \$184,100,000

\$1,159,700,000 \$205,200,000

June 30, 2013 \$954,500,000

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the Plan's funded status and funding progress are included as required supplementary information following these notes to the financial

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

### B. School Board - Retirement Plan

### Plan Description – Virginia Retirement System (VRS)

The School Board contributes to the Virginia Retirement System (VRS), an agent, which administers both an agent multiple-employer (for professionals) add an cost-sharing multiple-employer (for professionals) defined benefit pension plan for the School Board. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after five years of service. Members hired before July 1, 2010 and who were vested as of January 1, 2010 are covered under Plan 1. Members hired on or after July 1, 2010 and Plan 1 members with were not vested on January 1, 2013 are covered under Plan 2. Other Plan 1 average final compensation. Under Plan 2, average final compensation is the average of the members 80 consecutive months of highest compensation. Under Plan 2, average final compensation on the average of the members 80 consecutive months of highest compensation. The retirement multiplier for nonhazardous duty members is 1,70%. The multiplier for Plan 2 members was reduced to 1,65% effective January 1, 2013 enthers they are hazardous duty members and their employer has elected the enthanced retirement multiplier.

Retirees are eligible for an annual cost-of-living-adjustment (COLA) effective July 1 of the Color daindra than 2004; and the Color search coxceed 500%; under Plan 2, the COLA cannot exceed 3.00%, in The VIRS also provides death and disability benefits. Title 51 1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for VRS. The report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications or obtained by writing the VRS System at P. O. Box 2500, Richmond, VA 23218-2500.

#### Funding Policy

Title 51.1 of the Code of Virginia (1950) requires plan members, as amended, to contribute \$% of their amular leproted compensation to the VRS. The School Board has assumed the 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS busing the setulatial basis specified by the Code of Virginia and approved by the VRS busing the setulatial basis specified by the Code of Virginia and approved by the VRS basing of the setulation that is specified by the Code of Virginia and approved by the VRS basis of the fiscal sear ended June 30, 2013 were 11.66% and 11.0% of annual covered payrol (not including assumed 5%). The School Board's contributions to the VRS for the fiscal years ended June 30, 2013, 2012, and 2011 for professional employees were \$24,033,904, \$22,597,524, and \$18,557,452, respectively, such amounts comprising 100% of the required statutory contributions for each of the three years.

### Annual Pension Cost - Agent Multiple-Employer Plan

For 2013, the School Board's annual pension costs of \$1,741,681 for nonprofessional employees were equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2012 included (a) 7,0% investment rate of return (or of administrative expenses), (b) projected salary increases of 3,75% to 5.6% and (c) 2.5% per year cost-of-tiving adjustments for Plan 1 members and 2,25% cost-of-tiving adjustments for Plan 1 members and 2,25% cost-of-tiving adjustments for Plan 2 members. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assess is equal to emproper of a facts of short-term volatify in the market value of assess and a five-year period. The amountzation method is level percentage of projected payroll on an open basis and the remaining amontization period is 30 years.

Trend information for the School Board's agent multiple-employer plan for nonprofessional employees is as follows:

Net Pension Obligation	· · · · · · · · · · · · · · · · · · ·
Percentage of APC Contributed	100% 100% 100%
Annual Pension Cost	\$ 1,932,102 \$ 1,866,524 \$ 1,741,681
Fiscal Year Ended	June 30, 2011 June 30, 2012 June 30, 2013

### Funding Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the agent multiple employer plan was 74.31% funded. The actuarial accrued liability for benefits was \$83,29,950, and the actuarial reacured lability for benefits was 261.329,950, and the actuarial accrued lability (UAAL) of \$51,366,853. The covered parvial (annual payrol) of active memployees covered by the Jabah was \$14,866.664 and the rate of the UAAL to the covered payroll was 143,66%. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the Plan's funded status and funding progress are included as required supplementary information following these notes to the financial statements.

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

The schedule of funding progress which presents current year information about the actuarial value of the Pension plan assets and the actuarial accrued liability for Pension benefits is as follows:

# SCHOOL BOARD COMPONENT UNIT - VRS NON-PROFESSIONAL EMPLOYEES

2	as a	%of	Covered	Payroll
			Covered	Payroll
			Funded	Ratio
naniiniin	(Overfunded)	Actuarial	Accrued	Liability (UAAL)
	Actuarial	Accrued	Liability	(AAL)
		Actuarial	Value of	Assets
		Actuarial	Valuation	Date

143.7%

\$14,886,664

\$21,386,853

June 30, 2012 \$61,872,968 \$83,259,820

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Additional details on the Plan's funded status and funding progress are included as required supplementary information following these notes to the financial

## C. State Employees – Virginia Retirement System (VRS)

#### Plan Description

The City of Norfolk contributes to the Virginia Retirement System (VRS), an agent, which administers a multiple-employer defined benefit pension plan for the City of which administers a multiple-employer defined benefit pension plan for the City of Morfolk. All thi-lime, salaried permanent state employees in the City's five constitutional offices must participate in the VRS. These offices include: Commissioner of the Revenue, City Treasure, Citorial Courtis, Commonwealth's Attorney, and Sheriff and Jail. Benefits vest after 5 years of service (age 60 with 60 years) and service (age 60 with 60 years) and (age 60 years) and (age 60 years) and age 60 years of years years of y

#### **Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contibute 8% of of their amunds salary to the YRS. The 5% member contribution has been assumed by the City. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using an actualial basis specified by the Code of Virginia and approved by the VRS Board of Tustees. The City's contribution rate (including the assumed 5%) for the fiscal year ended June 30, 2012 was 13.34% of amnual covered payroll.

#### Annual Pension Cost

For 2013, the City's annual pension cost of \$3,134,547 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The amortization method is level percent open. These rates are effective from July 1, 2019 funcing Junn a30, 2012. The actuarial assumptions included: (a) 7% investment rate of return; (b) projected salary increases that range between 3.75% to 5.6% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.5%. The actuarial value of the City's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The remaining amortization peniod is 30 years.

Trend information for the City VRS plan is as follows:

Net Pension	Obligation	· •	· \$9	· ·
Percentage of	APC Contributed	100%	100%	100%
Annual	Pension Cost	\$3,289,129	\$3,212,447	\$3,134,547
Fiscal Year	Ended	June 30, 2011	June 30, 2012	June 30, 2013

### Funding Status and Funding Progress

The schedule of funding progress which presents current year information about the actual usue of the Parsion plan assets and the actualial accrued liability for pation benefits is as follows:

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

#### CITY - VRS EMPLOYEES

DAAL	as a	% of	Covered	Payroll
			Covered	Payroll
			Funded	Ratio
Untunded	(Overfunded)	Actuarial	Accrued	Liability (UAAL)
	Actuarial	Accrued	Liability	(AAL)
		Actuarial	Value of	Assets
		Actuarial	Valuation	Date

%6.3%

\$24,676,799

%9'82

\$16,357,991

June 30, 2012 \$59,996,468 \$76,354,459

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Actional deals on the plan's funded status and funding progress are included as required supplementary information following these notes to the financial

#### X. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits then to defer a portion of their salary utili future years. The deferral may be up to 25% of gross income up to a maximum of \$17.500 per year with increases to the amusl contributions for participants over age 50 or for participants contributions for participants over age 50 or for participants for three years prior to normal retirement age. The benefits from the deferred compensation plan are not available to employees until termination, retirement, death or uniforeseable emregency.

The laws governing the City's deferred compensation plan have been compiled with pursuant to the provisions of IRC Section 457. Accordingly, all assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

### XI. Other Post-employment Benefits (OPEB)

#### Plan Description

The City of Norfolk and the Norfolk School Board provide post-retirement health care benefits, in accordance with adopted statutes, which require extending access to healthcare benefits to certain tentiees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. City fredighters and police officers, who have a mandatory retirement age of 65, are eligible to participate at the earlier of age 50 and 15 years of creditable service or 20 years of creditable service or 20 years of creditable service are eligible to anothathcast extended enough ovees (fired prior to July 1, 2008) who are older than age 50 with a least 5 years of service are eligible as well as non-grandfathered school employees who are older than age 50 with 15 years of creditable service. Retirese that elect to participate may purchase health care coverage using the same health care plans and premium structures available to active employees. Retiree

participation, plan/benefit elections and contributions, are administered by the City's and the School's breefits offices based on the participation guidelines established by Norfok City Council and Norfok School Board. Benefits are currently managed on a pay-as-you-go basis rather than use of an irrevocable furst as and a separate financial report of the OPEB Plan is not issued. The Plan is considered a single-employer plan.

#### **Funding Policy**

No employee contributions are required prior to retirement to participate in or fund the OPEB Plan. Currently, the City and Schools pay a set amount nowards the monthly precipies and Schools pays as the amount nowards the monthly or participating retirees. This set contribution amount is an explicit subsidy of \$25 per month for the City and \$75 per month for the Schools per participating retiree. Retirees may not convert the benefit into an in-litel payment to secure overage under independent plans. The Plan sponsors also pay an implicit subsidy by allowing retirees to participate in the same benefit plans under the same premium structure as vailable to active employees, however, the Plan sponsors are not required to fund the plan other than the pay-as-you-go amount recessary to provide current benefits to employees.

The annual required contribution was determined as part of the July 1, 2012 actuarial valuation using the entry age normal actuatial cost method. The amortization method is level percent open. The actuarial assumptions included: (a) 3.5% investment rate of return and (b) projected salary increases of 3.5% per year. Both (a) and (b) include a medical inflation component of 9.0% (pre-Medicare grading to 4.0% over 15 years. The actuarial value of the City's assets is equal to the market value of assets. The remaining amortization period is a rolling 30 years.

### Annual OPEB Cost and Net OPEB Obligation

The City's and School's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuality determined in accordance with GASB Statement No. 43 and 45. Under this Statement, governments report on an accrual basis, benefit costs related to the period in which benefits are earned rather than to the period of benefit distribution. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Trend information for the City's and School's annual OPEB cost is as follows (note that amounts may vary from prior years due to change in expected contributions and actual contributions):

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

Net OPEB Obligation		\$ 20,162,141	\$ 25,458,971	\$27,359,584		\$ 8,065,446	\$ 11,711,301	\$14,092,158
Percentage of Annual OPEB Cost Contributed		37%	40%	%69		35%	%08	83%
Annual OPEB Cost	and Retirees	\$ 7,990,415	\$ 8,066,866	\$ 6,370,152	School Employees and Retirees	\$ 6,001,485	\$ 5,806,648	\$ 4,728,548
Fiscal Year Ended	City Employees and Retirees	June 30, 2011	June 30, 2012	June 30, 2013	School Employe	June 30, 2011	June 30, 2012	June 30, 2013

The actuarial liabilities of the Plans as of July 1, 2012 are shown below:

	City	Schools	Total
Actuarial liability:			
Active employees	\$33,069,053	\$33,069,053 \$49,719,144 \$82,788,197	\$82,788,197
Retirees	\$24,124,005	19,777,515	\$24,124,005 19,777,515 \$43,901,520
Total actuarial liability	\$57,193,058	\$69,496,659	\$57,193,058 \$69,496,659 \$126,689,717
Less: plan assets	•	•	
Unfunded actuarial accrued liability \$57,193,058 \$69,496,659 \$126,689,717	\$57,193,058	\$69,496,659	\$126,689,717

The following table shows the components of the City's and School's annual OPEB coasts, the annuals contributed to the Plans and the changes in the net OPEB obligations:

	City	Schools	Total	
Net OPEB obligation as of June 30, 2011	\$20,162,151	\$8,065,445	\$28,227,596	
Annual required contribution (ARC) for FY2012 Interest on net OPEB obligation Adjustment to ARC	\$8,007,917 825,737 (766,769)	\$5,776,435 423,080 (392,867)	\$13,784,352 1,248,817 (1,159,636)	
Annual OPEB cost Plus: adjustment to FY2011 contributions Less: expected contributions made	\$8,066,885 481,278 (3,251,333)	\$5,806,648 2,511,565 (4,672,358)	\$13,873,533 2,992,843 (7,923,691)	
Increase in net OPEB obligation	\$5,296,830	\$3,645,855	\$8,942,685	
Net OPEB obligation as of June 30, 2012	\$25,458,981	\$25,458,981 \$11,711,300	\$37,170,281	
Annual required contribution (ARC) for FY2013 Interest on net OPEB obligation	\$6,357,790	\$4,721,902	\$11,079,692 1,330,594	
Adjustment to ARC	(853,007)	(458,579)	(1,311,586)	
Annual OPEB cost	\$6,370,152	\$4,728,548	\$11,098,700	
Plus: adjustment to FY2012 contributions	(734,140)	1,580,848	846,708	
Less: expected contributions made	(3,735,409)	(3,928,538)	(7,663,947)	
Increase in net OPEB obligation	\$1,900,603	\$2,380,858	\$4,281,461	
Net OPEB obligation as of June 30, 2013	\$27,359,584	\$27,359,584 \$14,092,158 \$41,451,742	\$41,451,742	

### Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the combined OPEB Plans were unfunded. The combined actuarial accurated liability for benefits was \$128 million and the advantal value of assets was \$0 resulting in an unfunded actuarial accurated liability (UAAL) of \$126 million. The combined covered payroll of active City and School employees covered by the plan was \$534 million, and the ratio of the UAAL to the covered payroll was \$36.8%. Additional details on the plans funded status are included as required supplementary information following these notes to progress are included as required supplementary information following these notes to the financial insporting purposes deen not explicitly incorporate the potential effects of legal or contractual funding limitations.

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

The schedule of funding progress which presents current year information about the actual value of the OPEB plan assets and the actuarial accrued liability for OPEB benefits is as follows:

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered
CITY EMPLOYEES AND RETIREES July 1, 2012 \$ - \$ 57,183	(EES AND RE	<b>TIREES</b> \$ 57,193,058	CITY EMPLOYEES AND RETIREES July 1, 2012 \$ - \$ 57,193,058	0.0%	0.0% \$ 167,592,964	34.1%
SCHOOL EMPLOYEES AND RETIREES July 1, 2012 \$ - \$ 69,496,656	PLOYEES ANI	D RETIREES \$ 69,496,659	<b>AND RETIREES</b> \$ 69,496,659 \$ 69,496,659	\$ %0.0	0.0% \$ 186,413,340	37.3%

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term votatility in actuarial accrued italities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation was performed as of July 1, 2012 with results projected for the fiscal year ended June 30, 2013. The entry age normal actuarial cost method was used with a fevel percent open amortization method over 30 years. A discount rate of 3.5% was used. Amutal rates of health care inflation used were 9.0% (pre-Mediciare) grading to 4.0% over 15 years and the annual rate of salary increases used was 3.5%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Actuarial valuations are subjected to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

### XII. Interfund Receivable and Payable Balances

The composition of interfund activity as of June 30, 2013 is as follows:

\$ 5,109,315 42,228 42,228 6,31,860 1,311,152 \$ 7,094,555	\$ 975,074 10,003 \$ 985,077	\$ 175,499 934,323 \$ 1,109,822 \$ 9,189,454	\$ 111,882 63,617 975,073 \$ 1,150,572	\$ 4,099.984   9,313	\$ 7,244288 \$ 7,244488 \$ 1,311,162 \$ 10003 \$ 1,321,162 \$ 631,689
Payable Fund Capital Projects fund Garants fund Internal Service funds Mater Ullity fund Total General fund	General Fund Parking Fund Total Capital Projects fund	General fund Capital Projects fund Total Non-major governmental funds Total Governmental funds	Receivable Fund Grams fund EOC Fund Capital Projects Fund Total General fund	General fund Suromwelst fund Grants fund Grants fund ECOSTI hund Acqualition Fund Public Amenities fund Centralies fund Centralies fund Centralies fund Community Services Board Fund God fund Managed Fund Total Capital Projects fund General fund	Total Normagor governmental funds Total Governmental funds Total Governmental funds General Annia Total Winer Utility fund Total Pening fund Total Energites funds Receivable Fund General fund
Receivable Fund General fund	Capital Projects fund	Non-major governmental funds	Payable Fund General fund	Capital Projects fund Normajor governmental funds	Payable Fund Water Utility fund Payable Fund Payable Fund Internal Sterior funds

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursement occurs. (2) transactions are recorded in the accounting system and (3) payment between funds are made.

#### XIII. Interfund Transfers

The following interfund transfers occurred during fiscal year 2013:

Fund		ㅁ		Out
General fund	69	20,481,878	69	83,781,713
Capital Projects fund		3,924,866		10,446,229
Debt Service fund		78,226,814		٠
Nonmajor governmental				
funds		9,487,082		7,778,344
Enterprise:				
Water Utility fund				8,500,000
Wastewater Utility fund				1,500,000
Parking Facilities fund				114,354
	6	440 400 640		42 420 640
	9	112, 120,040	9	112, 120,040

The purpose of the transfer balances are as follows:

General fund transfers in of \$20.481,878 include \$8,500,000 from the Water Utility fund and \$1,500,000 from the Waterwater Utility fund which represent a return on investment back to the General fund, \$521,295 from the Grants special revenue fund which represents the return of unspent match portion of grant monies, \$9,846,2289 from the Capital Projects fund for equipment and vehicles purchases and \$114,354 from the Parking Facilities fund to cover parking costs of cruise customers at the Martitime Facility.

The General fund transfers out of \$83,781,713 represent a transfer of \$74,580,545 to the Debt Service fund for find general obligation debt; \$80,0666 to the Capital Projects fund as a contribution for the amunal capital improvement plan budget; \$5,048,450 to the Community Services Board fund in support of the facility operations, \$4,061,242 to the Community Services Board fund in support of the facility operations, \$4,061,242 to the Camis special revenue fund in support of grant projects; \$220,000 to the Cometeries special revenue fund, \$848,810 to the Emergency Operations Center/E-911 special revenue fund, on operational support of these funds on operational support of

Debt service transfers of \$78,226,814 include \$2,750,027 from the Storm Water special revenue fund, \$309,950 from the Public Amerities special revenue fund, \$34,311 from the Towing and Recovery special revenue fund, \$541,981 from the Tax Increment

special revenue fund and \$74,590,545 from the General fund to fund the current fiscal year's debt service payments.

The Storm Water special revenue fund transferred \$2,750,027 to the Debt Service fund to cover its general obligation debt service cost, \$2,315,200 to the Capital Project Fund to support the fund's capital related projects.

The Capital Projects fund transferred \$600,000 to the Grants special revenue fund in support of grant projects and \$9,846,229 to the General fund for equipment and vehicle purchases.

The Public Amenities special revenue fund transferred \$1,000,000 to the Capital Projects fund in support of the fund's capital related projects, and \$309,950 to cover its general obligation debt service cost.

The Towing Recovery Operation special revenue fund transferred \$34,311 to the Debt Service fund to cover its general obligation debt service cost.

The Nonexpendable special revenue fund transferred \$305,580 to the Cemeteries fund in support of the city's cemeteries.

The Tax Increment special revenue fund transferred \$541,381 to the Debt Service fund to fund current fiscal year debt service payments.

The Water Utility and Wastewater Utility funds transferred \$8,500,000 and \$1,500,000, respectively, to the General fund as a return on investment, respectively. The Parking Facilities fund transferred \$114,354 to the General fund to cover parking costs of cruise outsionness at Martime Facility.

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#### CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

## XIV. Fund Balance by Functional Category (GASB 54)

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hiteractory based primarily to nthe extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in five components as follows:

	General	Capital Projects fund	Non-major Governmental funds	Total Governmental funds
FUND BALANCES				
Nonspendable				
- Prepaid expenses	· S	· ·	\$ 23,783	\$ 23,783
Total Nonspendable			23,783	23,783
Restricted				
- General government	300,000	•	•	300,000
- Judicial administration				
- Public safety		•		
- Public works			1,574,145	1,574,145
- Health and public assistance			2,156,243	2,156,243
- Culture and recreation		•	6,153,022	6,153,022
- Community development			927,744	927,744
- Education				
- Other purposes				
Total Restricted	300,000		10,811,154	11,111,154
Committed				
- General government	3,000,000	328		3,000,328
- Public works			2,199,045	2,199,045
<ul> <li>Health and public assistance</li> </ul>				
- Culture and recreation		13,799	254,747	268,546
- General services				
- Other purposes capital		13,622,823		13,622,823
Total Committed	3,000,000	13,636,950	2,453,792	19,090,742
Assigned				
- General government	10,452,066	3,146	267,195	10,722,407
- Judicial administration			680,713	680,713
- Public safety			112,541	112,541
- Public works	2,973	949,042	606,272	1,558,287
- Health and public assistance			2,907,148	2,907,148
- Culture and recreation	70,656	1,791,167	14,036,382	15,898,205
- Community development	3,817,961	4,523,111	2,097,963	10,439,035
- General services				
- Education				
- Debt Service				
- Other purposes (FY-14 Budget appropriation)	19,575,630	72,815		19,648,445
Total Assigned	33,919,286	7,339,281	20,708,214	61,966,781
Unassigned	54,054,371			54,054,371
Total Unassigned	54,054,371			54,054,371
Total fund balances	\$ 91,273,657	\$ 20,976,231	\$ 33,996,943	\$ 146,246,831

#### XV. Recovered Costs

Recovered costs consist of revenues recovered from expenses associated with employee costs, debt service, administrative costs, outside agencies and the public.

	\$ 2,421,449	308,468	1,726,270	3,837,339	3,102,315	\$ 11,395,841
Recovered cost in the General fund:	Debt service recoveries	Retirement System	Information Systems recoveries	Other	Administrative cost recoveries from Enterprise funds	Total recovered costs in the General fund

#### XVI. Other Liabilities

Other liabilities, as presented in the Fund Financial Statements, consist of the following:

\$ 3,481,383	\$ 2,142	\$ 236,390	\$ 3,975,925
133,648		64,708	14,435
\$ 3,615,031		141,414	\$ 3,990,360
Governmental Funds: General fund - miscellaneous Nonmajor funds - miscellaneous	Internal Service Funds: Fleet Management fund - miscellaneous	Enterprise Funds: Water Utility fund - miscellaneous Wastewater Utility fund - miscellaneous Parking Facilities fund - miscellaneous	Fiduciary Funds: Other Agency fund Commonwealth of Virginia

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

### XVII. Supplemental Appropriations

The following supplemental appropriation was made to the general fund operating budget during the fiscal year:

#### General Fund:

Approved PY 2012-2013 budget

Supplemental appropriations

Supplemental appropriations

Supplemental appropriations is a year 2012 fund balance

13.556.660

Final FY 2012-2013 budget

S 600, 147.469

#### XVIII. Deferred Revenue

Deferred revenue, as represented in the fund financial statements at June 30, 2013, totals \$28,989,265 and is comprised of the following:

### A. Non-major Governmental Funds

In the special revenue funds, deferred revenue totaled \$1,022,500. In the Community Development fund, the deferred revenue represents deferred payment reabalization leans of \$543,705 as of June 30, 2013. Deferred revenue in the Sform Water special revenue fund of \$478,795 represents deferred bilings that have been eamed but are not available for funding current expenditures at June 30, 2013.

### B. Deferred Property Tax Revenue

Deferred revenue in the General Fund, representing uncollected tax billings not available for funding of current expenditures as of June 30, 2012 is \$27,966,765.

### XIX. Commitments and Contingencies

#### Capital Projects Ä

Commitments for completion of capital projects in the Business-Type Activities, authorized at June 30, 2013, are as follows:

Water Utility development projects	\$17,040,
Wastewater Utility development projects	11,225,
Parking Facilities development projects	616,
Total	\$28.882

270 305 331

See Exhibit J-3 Capital Projects Fund Schedule of Expenditures for listing of projects capital projects in the Governmental Activities, authorized at June 30, 2013.

The starter light rail system in Norfolk began operations on August 19, 2011. The approximately \$318.3 million system was funded through a combination of federal, safe and local sources and is operated by the Hampton Roads Transit. At June 30, 2013, no outstanding expenditures remain.

#### Contingent Liabilities œ.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may a constitute a liability of the agriculted funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, f any, to be immaterial.

The City was a guarantor for \$5,150,880 of VRA debt for the Southeastern Public Service Authority (SPSA) as of June 30, 2013. See Note XXIII for more information on this guarantee and the SPSA joint venture.

#### Litigation ပ

From time to time the City and its component units are defendants in a number of lawards. Athough it is not possible to determine the final autone on these meters, management and the City Attorney are of the opinion that the liability will not be material and will not have a significant effect on the City's financial condition.

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

### D. Pollution Remediation Obligation

GASB Statement 49, Accounting and Financial Reporting or Pollution Remediation Obligations, identifies the circumstances under which a governmental entity would be required to report a lieility related to pollution remediation. According to the standard, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers

- Pollution poses an imminent danger to the public or environment and the government has fittle or no discretion to avoid fixing the problem; A government has violated a pollution prevention related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government a responsible (or potentially responsible) for cleaning up publicion, or for paying all or some of the cost of the clean-up;
  A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; and
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required

During the fiscal year the City recognized the following liabilities for pollution remediation obligations; \$53.208 associated with the cleanup of the Battleship Wisconsin, in order to open it to the public for tours; \$34,811 associated with extensive removation on the Seaboard Building and \$20,000 associated with askestos abatement for replacing windows in the City jail. The amount of the obligation is based on the contractor's experience in similar instances, taking into account sampling at the site, and applying usual and customary cost code rates. The potential for a change to the estimate is minimal.

The School Board evaluates its exposure to certain environmental inabilities throughout the year at each of its locations. Estimates of Itabilities are made based on consultants with industry experts and often arise when school buildings are on consultants with industry experts and often arise when school buildings are

Primary Government		QONERNA BITAL ACTIVITIES:   \$ 2201599   \$ . \$ 112,877   \$ 108.01	Beginning Belance Addition Reduction Belance	Morkik Public Ghooks: \$ 1,078,555 \$ . \$ 1,078,555 \$ . Poblision remediation obligation
	Ending Balance	\$ 108,019	Ending Balance	
	Amounts Due Within One Year	\$ 108,019	Amounts Due Within One Year	

#### Encumbrances

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Encumbrances as of June 30, 2013 in the General Fund and Capital Projects fund totaled \$7,187,027 and \$77,881,722 respectively. Encumbrances as of June 30, 2013 for nonmajor governmental funds in the aggregate totaled \$17,189,244.

#### F. Lamberts Point Landfill

On October 19, 2011, the City determined that a portion of the shoreline adjacent to the former Lamberts Porti Indfill was endoring likely due to tidal forces associated with the August 2011 hurricane. The landfill ceased receiving materials in 1980 and was closed in accordance with environmental and health regulationy requirements in effect at that time. In 2005, a golf course was built in the Indfill. The City implemented a short-term solution and worked with the Virginia Department of Environmental Ouality (IEC) and other federal and state regulatory agencies on the development of a long-term solution for stabilization of the shoreline. On October 29, 2012, the City issued a Notice to Proceed for stabilization of the Lamberts Point landfill shoreline. Design and construction cost was approximately \$2,800,000. This project was completed during 2013.

#### XX. Surety Bonds and Insurance

Amount	\$ 3,000 1,500,000 30,000 <u>2,235,000</u> <u>\$ 3,768,000</u>	\$ 500,000	\$ 1,000,000
Official	Sharon McDonald, Commissioner of the Revenue Thomas W, Moss, Jr., City Treasurer Robert J. McCabe, Sherff George E. Schaefer, III Clerk of the Circuit Court Total Commonwealth of Virginia	All employees of the City Treasurer, Sheriff, Commonwealth's Attorney and Clerk of the Circuit Court Performance of Duty Bond	Travelers Insurance Co. All City employees
Surety	Commonwealth of Virginia	Commonwealth of Virginia	City of Norfolk

### XXI. Self and Purchased Insurance Programs

The City is exposed to various risks of losses related to torts; theft and destruction of assets, errors and ounsissons, injuries to employees, and natural disasters. On July 11, 1479, the City established a protected self-insurance program fund, pursuant to an ordinance adopted by City Council, to cover these risks. The program provides for the payment of claims liabilities, properly losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums self-insurance claims, and related expenses payments made during fiscal year 2013 was \$6,000.013.

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

The City currently reports all these activities as part of the risk management function in the general agreement agreement section of the General fund. Claims expenditious and fibrillies are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. For actuarial purposes, estimated outstanding discuss are the accural cost of unpaid claims valicable as of each accounting date. The estimated outstanding losses include case reserves, the development on known claims and incurred but not reported (IBMD) claims. Allocated loss adjustment expenses (ALAE) are the direct extenses for setting specific claims. ALAE is included in the workers' compensation estimates, but accuded in the liability estimates. At June 30, 2013, these liabilities were estimated at \$50.687.239 with \$5,584.723 projected as the current portion anticipated to be paid within a year. Estimated liabilities at the end of fiscal year 2013 were determined by an independent actuary.

Changes in the City's claims liability amount in the fiscal years 2012 through 2013 are as follows:

	Estimated	Outstanding	Losses End of	Fiscal Year	\$ 31,400,391	\$ 30,837,239
				Claims Paid	\$ 4,403,895 \$ 4,676,586 \$ 31,400,391	\$ 4,863,716
Additional	Incurred	Claims and/or	Changes in	Estimate		\$ 4,300,564 \$ 4,863,716 \$ 30,837,239
Estimated	Outstanding	Losses	Beginning of	Fiscal Year	2012 \$ 31,673,082	2013 \$ 31,400,391
					2012	2013

The City in its General fund has commited \$3,000,000 of fund balance to provide for risks and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage, and settled claims have not exceeded coverage in any of the past three fiscal

The Norfolk Public Schools (NPS) also participate in the program and its future expected self-insured losses as of June 30, 2013 projected at \$2,548.907 of whith \$2266.138 is the current properses as of June 30, 2013 projected at \$2,537.80. NPS provides payments for that entity sisks of loss through a combination of \$2,537.769. NPS provides payments for that entity is risks of loss through a combination of purchased insurance policies and self-insurance plans. These losses are funded through the Public Schools operating budgets and/or the City's fund balance designation.

Changes in the School Board's liability amount in the fiscal years 2012 through 2013 are as follows:

741,774 \$ 2,819,907	3 741,774	\$ 794,005	\$ 2,767,676	2013
\$ 2,767,676	1,046,462	\$ 1,204,019 \$	\$ 2,610,119	2012
Fiscal Year	Claims Paid	Estimate (	Fiscal Year	
Losses End of		Changes in	Beginning of	
Outstanding		Claims and/or	Losses	
Estimated		Incurred	Outstanding	
		Additional	Estimated	

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### XXII. Jointly Governed Organizations

## A. Hampton Roads Regional Jail Authority (HRRJA)

HRRJA is a regional organization which includes the cities of Hampton, Newport News, Norfick and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended, and its governed by a twelve member Board of Directors, consisting of three representatives a sponited by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with seach individual having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in the HRRJA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2013. Complete financial statements of HRRJA can be obtained from HRRJA.

# B. Hampton Roads Planning District Commission (the Commission)

A regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southasselme Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the dites of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the counties of Gloucester, sile of Wight, James Clift, Southampton and York. Revenue of the commission is received primarily from local governmental (member) contributions and various state and federal grant programs.

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2013. Complete financial statements of the Commission can be obtained from the Commission.

# C. Transportation District Commission of Hampton Roads (TDC)

TDC was formed on June 29, 1999 to effect the merger of the Peninsula Transportation District Commission and the Théwarder Transportation District Commission affective Cotober 1,1999. TDC was established in accordance with Chapter 45 of Title 152 of the Code of Virginia. TDC provides public Transportation facilities and services within the cities of Norfolk, Potsmouth, Virginia Beach, Chesapeake, Hampton and Suffolk, Virginia. Oversight responsibility is exercised by all of the participating localities through their responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-localy operations of TDC.

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

rests with professional management. TDC serves as the governing body for Hampton Roads Transit (HRT) which constructed the City's light rail system.

The participating governments do not have an equity interest in TDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2013. Complete financial statements of TDC can be obtained from TDC.

#### XXIII. Joint Venture

### Southeastern Public Service Authority (SPSA)

SPSA is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the countes of lise of Wight and Southamption, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste reticise. SPSA is a primary government, with no component units, that is a public body politic and corporate created putusuant to the Virginia Water and Sawer Authorities Act, and is governed by a sixteen-member Board of Directors consisting of eight members appointed by the Governor and eight members appointed by bedon of the Board of Directors with each representative having a single vote. The Authority is responsible for its own financial matters, maintains it is own books of account and is audited annually by independent accountaints that it engages.

In May 2009, SPSA consolidated its lines of credit into a single line of credit in the amount of \$17.00,000 guaranteed equily by the CNy of Nordins and the Cliy of Chesapases. Outstanding amounts were table in full in September 2009 and the line of credit was closed effective March 30, 2010, and the guarantee agreement was resorded.

In June 2010, SPSA entered into a debt repayment plan with the Virginia Resource Authority (VRA) witch required that the eight member communities guarantee repayment of the remaining VRA bonds outstanding through a general obligation pledge. The member community guarantee percentages were calculated based on a three year average of pronotrional municipal tomages. The member jurisdiction guarantees as of June 30, 2013 were as follows:

Member community	Guarantee percentage	Principal guarantee	ntee
Chesapeake	22.49%	\$ 6,822,340	2,340
Franklin	0.97%	294	294,250
Isle of Wight	3.98%	1,207	1,207,330
Norfolk	16.98%	5,150	5,150,880
Portsmouth	10.27%	3,116	3,115,400
Southampton	2.10%	637	637,040
Suffolk	12.87%	3,904	3,904,120
Virginia Beach	30.34%	9,203	9,203,640
	100.00%	\$ 30,335,000	5,000

The participating governments do not have an equity interest in SPSA, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2013. Complete financial statements of the SPSA can be obtained from SPSA.

#### XXIV. Related Organizations

## A. Norfolk Redevelopment and Housing Authority (NRHA)

The Norfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the Commonwealth, was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation efforts within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible through a contract with the City, for the administration of such activities as community development and utban enevels sometimes contracts on its own behalf without approval from City Council and executes contracts on its own behalf which is responsible for its own fiscal maters as it raintains it is own book of accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and monies other than City contract turds. The City contracts with NRHA to complete specific projects, generally capital improvement projects.

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

#### B. Norfolk Airport Authority

Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an alroyer and to promote industrial growth and consists of both an Authorit to account for the operations of the Norfolk international Airport (the Authority to account for the operations of the Norfolk international Airport). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Invasiment fund was established by the Authority related to the Airport. The Invasiment fund was established by the Authority provide for payment of all principal and inferest on for obtaining loans and intergovernmental projects by issuing bonds or obtaining loans and with provide for payment of all principal and inferest on the related obligations as which provide for payment of all principal and inferests on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Courcil but the Commission designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority and, pursuant to Section 144(q) of the City Courcil for the purposes of information only. The City bast set propion for the purposes of information only. The City bast the option to reacquire, without consideration, list is to all property and equipment after payment by the Authority of all obligations relating to the inprovements at the Airport.

# . The Economic Development Authority of the City of Norfolk (EDA)

The Economic Development Authority, a political subdivision of the Commonwealth of Virginia, was created by ordinance of the City of Norfdin, 1912; pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (Title 15.1, Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia (Title 15.1, Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia (1995), as amended 1.1 is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City and ruther the use of the Commonwealth is agricultural and natural resources. The EDA is empowered by the Commonwealth is administrative and bornowers; it has no responsibility for bornowers' debt. Although Commissioners are appointed by City Council, the EDA designates its own management, which is self-sustaining, maintains its own books of account, and receives its revenue from administrative fees charged to borrowers.

### The Chrysler Museum, Inc. (the Museum)

The Chrysler Museum, a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980 by incorporating the Chrysler Museum in Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own

independent accountant, and receives its revenue from administrative fees charged to visitors and from other independent grants.

### The Hospital Authority of Norfolk (HAN)

The Hospital Authority of Norfolk, which has a nine-member Board of Commissioners appointed by City Council, is at sevenpt, note-or-polity political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1998. HAN operates Lake Taylor Hospital as a long-term care facility intensed by the Virginia State Health Department to provide a confinuum of patient care ranging from sub-acute hospital services to skilled nursing care.

### . The Slover Library Foundation (the Foundation)

The Slover Library Foundation, a not-for-profit organization, was formed on October 31, 2008 to participate in the funding of a new central library for the City. Construction began in early 2012. The new central library will be named the Samuel. L. Slover Library. Two historic downtown structures, the Seaboard Building and the Selden Arcade, will be bined by an architecturally significant structure to create the new technologically advanced library. Funding provided by the Foundation will be used for construction costs as well as purchase and maintenance of technology to be used in the library. The Foundation designates its own management, maintains its own books of account, engages its own independent accountant, and receives its revenue from donations made by third

## XXV. Adjustments to Beginning Fund Balance and Net Position

The Norfolk Community Services Board (CSB) was incorporated into the city department and fund structure effective July 1, 2012 as a result of an ordinance adopted by City Council. Previously the CSB was reported as a component unit; however, effective July 1, 2012, it is presented as a non-major special revenue fund. The effect of this change in reporting entity is as follows:

Primary Government

Activities	Non-major funds \$ 26,312,160	7,247,357 (2,502,356) 4,745,001	\$ 31,057,161
Governmental Activities	Net Position \$ 327,146,565	7,247,357 1,104,404 (3,120,005) (259,522) 4,972,234	\$ 332,118,799
	Fund Balance, June 30, 2012, As Previously Reported	CSB's Current Assets CSB's Capital Assets CSB's Current Liabilities CSB's Long-from Liabilities Net Adjustment	Fund Balance, June 30, 2012, As Restated

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

#### XXVI. Subsequent Events

### Forward General Obligation Refunding

On October 2, 2013, the City entered into a Bond Purchase and Loan Agreement with Barro of Annetica Preferender Lounding Corporation, under which the City has the ability to issue three separate bonds in the aggregate principal amount of \$37,960,000 (collectively, the "Forward Refunding Bonds") to currently refund its outstanding General Obligation Refunding Bonds, Series 2004, General Obligation Capital Improvement and Refunding Bonds, Series 2006 and General Obligation Capital Improvement and Refunding Bonds, Series 2006 and General Obligation Capital Improvement and Refunding Bonds, Series 2006 and General Obligation Capital Improvement and Regunding Bonds, Series 2006 and General Obligation Capital Improvement and Requirely issuing any of all of the Forward Refunding Bonds, and Banc of America is not required to purchase any Forward Refunding Bonds and Banc of America is not required to purchase any Forward Refunding Agreement.

### General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exemp) (Taxable) 
On November 7, 2013, the City issued its \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A, (Take-Rempt), \$51,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxabe) and its \$2,470,000 General Obligation Qualified Energy Conservation Bonds, Series 2013C (Taxabe) (collectively the "2013 Bonds"). The aggregate true interest cost of the 2013 Bonds was 3.97%. Aggregate total savings of \$3,804,009, or \$5,16% of the refunded bonds, benefitted the Parking Facilities Fund.

This refunding replaced all of the Parking Facilities Fund's Revenue Bonds outstanding on that date with General Obligation Bonds; however, the debt service continues to be paid by the Parking Facilities Fund. Additionally, with the refunding of the outstanding Parking System Revenue Bonds, the Parking System Master Indenture of Trust has been defeased.

## General Obligation Variable Rate Bond, Series 2013D (Taxable)

Additionally, on November 7, 2013, the City entered into a private placement variable rate lean, the \$73,600,000 ceneral Olligation Variable Rate Bond, Series 2013D (Taxable) (He "2013D Bond"), with Bank of America, NA which, along with other available funds, and a portion of the 2013B Bonds, refunded the City's General Cobligation Bond Anticipation Note, Series 2011B (Taxable). The 2013D Bond was issued at a rate of LIBOS, plus 0,95%, with the initial interest rate being 4.22%, and with a final maturity of August 1, 2025.

### Wastewater System Revenue Bond, Series 2013

On December 12, 2013, the City issued a \$10,000,000 Wastewater System Revenue Bond, with the Virginia Resources Authority (PRA). In conjunction with the State Water Control Board, the VRA administers and manages the Virginia Water Facilities Revolving Fund. The Bond was sold at a true linterest cost of 0,00%.

#### Dissolution of Central Storehouse

As part of the budget policy process, the City dissolved the centralized storehouse in July 2013. Inventory used for emergency repairs was sold to the Water or Storm Water funds and the remainder was liquidated or used. Residual balances will be recorded as miscellaneous revenue in the General fund.

# XXVII. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements that may impact future financial presentations. Management has not determined what, if any, impact implementation of the following statements will have on the City.

- GASB Statement No. 65. Items Previously Reported as Assats and Liabilities. The objective of this Statement is to clarify GASB's conceptual definitions of deterred outflows of resources and deferred inflows of resources elements to a broader range of items to enhance consistency in state and local government financial statements. The statement elements are consistency in state and local government financial statements. The statement element is enought see serial inflows currently reported as assets and liabilities as one of four financial statement elements deferred outflows of resources. Before this guidance, many tiems that appeared to meet the definition of deferred uniflows of resources in Concepts Statement No. 4. Elements of Emercial Statement, were not specifically identified as such in the GASB's authoritative literature, because the Concepts Statement imits recognition of deferred outflows and deferred inflows to those instances identified in authoritative GASB ponouncement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.
- GASB Statement 66: Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting reporting entity by resolving conflicting guidance that resulted from the issuance of two pronuncements. Statements No. 44, Fund Balance Reporting and Covernmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Procurrements. This Statement sits a amends Statement No. 10, Accounting and Financial Reporting for Risk Financial and Related Insurance Issues, by removing the provision that immits tuch-based reporting of an entity sits financinal activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 45 and Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local

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## CITY OF NORFOLK, VIRGINIA NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2013

Governments. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

- GASB Statement 67: Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25 and No. 50. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Central Reporting for Defined Dension Plans and Note Discobourse or Defined Centribution Plans and Statement 50 from sion plans that are administered through trusts or similar arrangements meeting certain criteria. The objective of this Statement is to improve financial reporting by state and local governmental bension plans. Statement of Fenhances note discibilishers and required supplementary information for both defined benefit and defined contribution pension plans. It also coquires the presentation of new infrancial statements and in Otypea required supplementary information. The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.
- GASB Statement 68: Accounting and Financial Reporting for Pensions—an amendment of GASB Statement Mo. 27. This Statement the deaders the requirements of Statement to Most State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. Governments providing defined benefit pensions will be required to recognize their long-term obligation for pension benefits as a flability and to ecognize more pension expense immediately. The Statement also requires costsharing employers to record a supplementary information. It also requires costsharing employers to record a supplementary information. It also requires costsharing employers to record a supplementary information. It also requires costsharing employers to record a subplementary information. It also requires costsharing employers to record a subplement document of their proportionate share of the collective net pension ifability and expense equal to their proportionate share of the collective net pension ifability and expense for the cost-sharing plan. The provisions of Statement 68 are effective for facel years beginning after June 15, 2014; however, earlier application is encouraged.
- GASB Statement 69: Government Combinations and Disposals of Government Operations. This Statement provides specific accounting and financial reporting guidance for the combination and disposal of entities in a governmental environment. This Statement also enhances the disclosures around these types of activities to improve the usefulness of financial reporting in this area. The provisions of this Statement are effective for financial statements for periods beginning after December 15.2019. Earlier application is enzouraged.
- GASB Statement 70: Accounting and Financial Reporting for Non-exchange Financial Guarantees. This Statement requires specific accounting for governments that extend a non-exchange financial guarantee as well as governments that have issued obligations guaranteed in non-exchange transactions. This Statement also specifies the information required to be disclosed in relation to these types of transactions. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged.

# REQUIRED SUPPLEMENTARY INFORMATION

(OTHER THAN MANAGEMENT'S DISCUSSION & ANALYSIS)

(Unaudited)







# CITY OF NORFOLK, VIRGINIA REQUIRED SUPPLEMENTARY INFORMATION Schedule of Funding Progress for Pension and Other Post-Employment Benefit Plans (Unaudited)

Actuarial Valuation <u>Date</u>	•	Actuarial Value of Assets	Ë	Actuarial Accrued Liability (AAL)	اڌ ٽ	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio		Covered Payroll	UAAL as a percentage of covered payroll
Retirement Plans:	ö									
CITY - EMPLOYEES' June 30, 2008 \$ June 30, 2009 \$ June 30, 2011 \$ June 30, 2011 \$ June 30, 2013 \$	.s ====================================	RETIREMENT 937,800,000 885,600,000 817,700,000 832,000,000 923,200,000 954,500,000	×	\$ 1,009,100,000 \$ 1,029,600,000 \$ 1,046,800,000 \$ 1,064,000,000 \$ 1,144,400,000 \$ 1,159,700,000	<b>\$\$\$\$\$\$\$\$</b>	71,300,000 144,000,000 229,100,000 232,000,000 221,200,000 205,200,000	92.9% 86.0% 78.1% 78.2% 80.7%	<b>66 66 66 66 66</b>	175,400,000 179,600,000 175,200,000 171,000,000 167,600,000	40.6% 80.2% 130.8% 135.7% 132.0% 111.5%
CITY - VRS EMPLOYEES June 30, 2007 \$ 41 June 30, 2008 \$ 47 June 30, 2009 \$ 51 June 30, 2011 \$ 55 June 30, 2011 \$ 55	FOX 8 8 8 8 8	EES 41,467,595 47,154,626 51,470,652 54,256,199 57,891,181 59,996,468	6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	40,237,331 52,000,548 58,287,883 67,356,664 71,530,754 76,354,459	<b>69 69 69 69 69</b>	(1,230,264) 4,845,922 6,817,231 13,100,465 13,639,573 16,357,991	103.1% 90.7% 88.3% 80.6% 80.9% 78.6%	<b>66 66 66 66 66</b>	24,931,958 25,854,549 25,997,389 24,538,680 24,538,681 24,54,676,799	4.9% 18.7% 26.2% 53.4% 55.6%
SCHOOL BOARD COMPONENT UNIT June 30, 2007 \$ 61,180,1012 \$ June 30, 2008 \$ 65,474,071 \$ June 30, 2008 \$ 64,720,681 \$ June 30, 2011 \$ 64,720,681 \$ June 30, 2011 \$ 64,40,0535 \$ June 30, 2011 \$ 64,40,0535	0 CO	MPONENT UNI 61,180,012 66,558,849 65,474,071 64,120,661 63,440,533 61,872,968		VRS NON-PRC 66,118,525 72,573,728 74,800,079 80,984,997 81,830,629 83,259,820	8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	-VRS NON-PROFESSIONAL EMPLOYEES -6416.525 \$ 498.57.3 92.5 72.677.22 \$ 6014.879 91.5 74.800.079 \$ 9.226.008 87.5 81.800.629 \$ 18.300.008 77.5 83.259.620 \$ 21.386.852 74.3	92.5% 91.7% 87.5% 79.2% 77.5%	\$ \$ \$ \$ \$ \$ \$ \$	15,236,207 17,520,165 16,948,926 16,243,835 15,357,257 14,886,664	32.4% 34.3% 55.0% 103.8% 119.7%
Other Post-employment Benefits (OPEB) CITY EMPLOYEES AND RETIRES July 1, 2009 \$ . \$ July 1, 2010 \$ . \$ July 1, 2012 \$ . \$ July 1, 2012 \$ . \$	ES AI	ent Benefits (O	S & & & &	59,910,937 60,204,591 58,495,183 57,193,058	49 49 49 49	59,910,937 60,204,591 58,495,183 57,193,058	%0.0 %0.0 %0.0	69 69 69 69	171,944,051 175,976,672 170,921,920 167,592,964	34.8% 34.2% 34.2% 34.1%
SCHOOL EMPLOYEES AND RETIREES July 1, 2009 \$ . \$ July 1, 2011 \$ . \$ July 1, 2012 \$ . \$	S S S S	S AND RETIRE	8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	80,250,361 82,776,654 77,556,192 69,496,659	69 69 69 69	80,250,361 82,776,654 77,556,192 69,496,659	%0:0 %0:0 %0:0	6 6 6 6 6 F	198,943,586 198,660,313 171,691,191 186,413,340	40.3% 41.7% 45.2% 37.3%
TOTAL July 1, 2009 July 1, 2010 July 1, 2011 July 1, 2011	69 69 69		6 6 6 6 F	140,161,298 142,981,245 136,051,375 126,689,717	69 69 69 69	140,161,298 142,981,245 136,051,375 126,689,717	%0.0 %0.0 %0.0	8 8 8 8	370,887,637 374,636,985 342,613,111 354,006,304	37.8% 38.2% 39.7% 35.8%

Exhibit E-1

## Schedule of Revenue, Budget and Actual (Unaudited) General Fund For the Year Ended June 30, 2013

		Original Budget		Final Budget		Budget Basis Actual	S F	Positive (negative) Variance with Final Budget
General property taxes	69	244,871,000	69	244,871,000	69	243,604,191	69	(1,266,809)
Other local taxes		154,180,000		154, 180,000		154,198,171		18,171
Permits, privilege fees and licenses		3,900,928		3,900,928		4,098,178		197,250
Fines and forfeitures		1,235,800		1,235,800		1,098,187		(137,613)
Use of money and property		6,417,000		6,353,200		6,106,064		(247,136)
Charges for services		36,921,738		36,985,538		37,091,919		106,381
Miscellaneous revenue		10,864,776		10,864,776		11,857,652		992,876
Recovered costs		11,372,200		11,372,200		11,395,841		23,641
Non-categorical aid - Virginia		31,982,000		31,982,000		32,897,808		915,808
Shared expense - Virginia		19,333,200		19,333,200		19,238,147		(82,053)
Categorical aid - Virginia		237,923,794		237,923,794		247,549,682		9,625,888
Categorical aid - Federal		4,845,200		4,845,200		6,588,650		1,743,450
Other sources and transfers	ļ	35,943,173	1	39,299,833		29,907,122	ı	(9,392,711)
Total revenue budget	69	799,790,809	69	803,147,469	69	805,631,612	69	2,484,143

Exhibit A-3 for GASB 54 includes the General Fund, the Nauticus Fund and the Maritime Facility Fund.

The budget variances in categorical aid and other sources and transfers resulted from the recognition of deferred revenue in 2013 that was not expected at the time the budget was adopted.

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Exhibit E-2

### CITY OF NORFOLK, VIRGINIA Schedule of Expenditures, Budget and Actual (Unaudited) General Fund For the Year Ended June 30, 2013

						Budget		(negative)	_
		Original		Final		Basis	>	Variance with	£
		Budget		Budget		Actual	ш.	Final Budget	et
Legislative	s	4,549,986	s	4,656,972	S	4,553,248	S	103,724	724
Executive		2,052,514		2,021,440		1,999,626		21,814	314
Department of Law		3,930,466		3,971,366		3,964,308		7,0	7,058
Finance, City Treasurer, Commissioner of Revenue		8,530,291		8,484,523		8,556,243		(71,720)	(20)
Department of Human Resources		3,287,514		3,229,622		3,021,374		208,248	248
Courts, Sheriff and Detention		47,334,967		47,948,407		47,550,212		398,195	98
Department of Public Health		4,025,735		4,012,135		3,843,227		168,908	806
Department of Human Services		47,955,440		48,726,413		47,259,355		1,467,058	99
Department of Public Works		42,000,527		41,388,452		40,029,593		1,358,859	326
Recreation Parks and Open Space, Maritime Center		22,980,800		22,763,400		22,782,072		(18,672)	372)
Education		302,033,320		305,389,980		290,894,594		14,495,386	986
Norfolk Public Libraries		7,905,341		7,825,341		7,840,885		(15,544)	¥
Elections		873,086		873,419		835,276		38,143	43
Department of Planning & Community Development		7,165,972		7,148,325		7,073,200		75,125	125
Department of Cultural Facilities, Arts & Entertainment		6,354,130		6,655,863		6'029'9		5,7	5,764
Departmental Support		24,191,236		23,564,143		15,976,259		7,587,884	\$
Outside Agencies		38,964,756		38,527,313		37,651,286		876,027	)27
Department of Police		65,619,393		65,497,352		65,578,998		(81,646)	346)
Department of Fire and Rescue		40,147,147		41,348,001		41,358,687		(10,686)	(989
Debt service		78,098,397		78,048,397		77,250,657		797,740	40
Budget and Management		1,568,094		1,543,574		1,241,720		301,854	354
General Services		20,482,889		20,035,775		19,207,396		828,379	379
Economic Development		1,894,169		1,841,369		1,794,140		47,229	529
Communications and Public Relations		2,466,674		2,457,947		2,396,442		61,505	909
Department of Information Technology		10,892,475		10,722,276		10,272,540		449,736	38
Virginia Zoological Park		4,159,200		4,155,860		4,133,667		22,193	193
Office of Homelessness		326,290		309,804		255,599		54,205	505
Total expenditure budget	S	799,790,809	S	803,147,469	9	773,970,703	9	29,176,766	99
			l		l		l		ı

Exhibit A-3 for GASB 54 includes the General Fund, the Nauticus Fund and the Maritime Facility Fund.

#### Notes to Required Supplementary Information Reconciliation of (non-GAAP) Budgetary Basis to GAAP (Unaudited) June 30, 2013

General Fund	\$ 805,631,612	(198,552,789)	(19,271,473)	(20,481,878)	9,846,229	48,385	100	\$ 577,220,186	\$ 773,970,703	(183,707,994)	9,846,229	718,141	(1,091,482)	(83,781,713)	\$ 515,953,884
	Sourcesimitows of resources: Actual amounts (budgetary basis) "available for appropriation" from Exhibit E-1	Differences-budget to GAAP: The effects of accounting for school revenue as a component unit	The effects of accounting for transfer from fund balance	General fund transfers from other funds are inflows of budgelary resources but are not revenues for financial reporting purposes	The effects of accounting for bond financed equipment as revenues	The effects of interest rate subsidies	The effects of accounting for Nauticus fund, Maritime Facility fund and Grants fund	Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	Uses/outflows of resources; Actual amounts (budgelary basis) "Total charges to appropriations" from Exhibit E-2	Differences-budget to GAAP: The effects of accounting for school expenditures as a component unit	Equipment purchased with bond proceeds	The effects of accounting for Nauticus fund, Maritime Facility fund and Grants fund	Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	General fund transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds

There were no material violations of the annual appropriated budget for the General fund for fiscal year 2013.

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See accommunity independent auditors' renort

# OTHER SUPPLEMENTARY INFORMATION

## COMBINING FINANCIAL STATEMENTS

 $\sim$  Nonmajor Governmental Funds  $\sim$   $\sim$  Agency Funds  $\sim$  Internal Service Funds  $\sim$ 

### OTHER SCHEDULES

- $\sim$  Schedule of Expenditures of Federal Awards  $\sim$
- $\sim$  Notes to Schedule of Expenditures of Federal Awards  $\sim$
- $\sim$  Schedule of Revenues and Expenditures Budget and Actual Special Revenue Funds  $\sim$
- Schedule of Revenues and Expenditures Budget and Actual Internal Service Funds  $\sim$
- Schedule of Revenues and Expenditures Budget and Actual Capital Projects Fund  $\sim$



### Nonmajor Governmental Funds

#### Special Revenue Funds

The Special Revenue funds are used to account for proceeds of specific resources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The individual special revenue funds are:

<u>Storm Water Fund</u>: To account for the operation of the environmental storm water management system, including manitenance of storm water drainage facilities. The costs of providing services on a continuing basis are partially financed or recovered through user charges to Norfolk residents and commercial and industrial customers.

<u>Towing & Recovery Operations Fund:</u> To improve neighborhood livability by providing reliable dispatching of towing services, storage of vehicles and recovery or disposal of vehicles.

Grants Fund: To account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds and to finance special programs that may have reporting periods that do not correspond with the City's fiscal

Community Development Fund: To account for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.

Cemeteries Fund: To account for the operation of the City's cemeteries.

Community Services Board: To account for mental health, mental retardation and substance abuse services provided to the residents of the City of Norfolk.

GolfFund: To account for the operation of the City's golf courses.

Public Amenities Fund: To promote cultural and entertainment activity in the downtown area.

Emergency Operations Center/911 Fund: To account for the operation of the City's emergency operations center/911.

Tax Increment Financing Fund: To account for debt service requirements for the general obligation bonds and property tax collections within the Broad Creek Renaissance Tax Increment Financing District.



# Nonmajor Governmental Funds (Cont'd.)

#### Permanent Fund

The Permanent fund is used to report resources that are restricted by City Code to the extent that only arrings, not principal, may be used for purposes that support the reporting government's programs. The City's permanent fund (non-expendable trust) is used to account for the perpetual care and endowed care at certain City-owned cemeteries, however both the earning and principal is used for purposes that support City the maintenance of owned cemeteries.



Exhibit F-1

CITY OF NORFOLK, VIRGINIA

Combining Balance Sheet - Nonmajor Governmental Funds June 30, 2013

	ļ				Spec	Special Revenue Funds	spu			
		Storm					ŏ	Community		
		Water		Towing		Grants	De	Development	ŏ	Cemeteries
ASSETS										
Cash and short term investments	65	305,670	65	503,985	87	4,340,251	85	95,173	so	259,047
Receivables, net		2,380,182		8,029		1,056,794		584,084		119,240
Due from other funds		9,313		16,042		485,138		٠		7,902
Due from other governments		154,639				10,968,999		,		5, 194
Prepaids		,		23,783		,		,		
Total assets	es.	2,849,804	so	551,839	en.	16,851,182	es.	679,257	so	391,383
LIABILITIES										
Vouchers payable	89	98261	89	35,384	s	2,726,065	so	76,134	so	44,901
Contract retainage		٠				37,419		٠		٠
Accrued payroll		73,042		8,287		64,867				٠
Accrued expenses										•
Due to other funds						42,228				•
Due to other governments						8,073,411		59,418		•
Deferred revenue		478,795						543,705		•
Other liabilities	ļ	661		12,725						120,262
Totalliabilities	J	620'29	-	56,396	J	10,943,990		679,257		165,163
FUND BALANCES										
Nonspendable				23,783						•
Restricted		,				3,197,519		,		•
Committed		2,199,045				254,747		,		•
Assigned				471,660		2,454,926				226,220
Unassigned	ļ									٠
Total fund balances		2,199,045		495,443		5,907,192				226,220
Total liabilities and fund halances	65	2 849 804	65	551839	65	16 851 182	95	679.257	95	391 383

CITY OF NORFOLK, VIRGINIA

Exhibit F-1

Combining Balance Sheet - Nonmajor Governmental Funds June 30, 2013

Nonmajor	Governmental	Funds		28,923,575	6,656,036	1,109,822	11,133,298	168,533	47,991,264	4,039,792	37,419	502,271	42,228	8,216,463	1,022,500	133,648	13,994,321	23,783	10,811,154	2,453,792	20,708,214	
	ð			65					so.	so.												-
Permanent	Non-	Expendable	trust	6,051,931	17,025			4	6,068,960										6,068,960		,	
	ļ		J	65					so.	so.							-					
	Total	Special	Revenue	22,871,644	6,639,011	1,109,822	11,133,298	168,529	41,922,304	4,039,792	37,419	502,271	42,228	8,216,463	1,022,500	133,648	13,994,321	23,783	4,742,194	2,453,792	20,708,214	
				67					so.	67							-					
		Тах	Increment	2,033,685		62,050	,		2,095,735	٠											2,095,735	
			-	67					es.	67												
Snecial Revenue Funds	200	EOC/	911	169,926		68,802	4,466		243,194	38,537		92,116					130,653			,	112,541	
leineu				97					es.	97												
•		Public	Amerifies	11,524,138	552,496	351,616	,		12,428,240											,	12,428,240	
			ı	67				ı	es.	60						ı	ļ					
			Solf	183,416		4,853	,		188,269	17,382							17,382		84,062	,	86,825	
				65					es.	69												
		Community	Services Board	3,456,353	1,938,196	104,106	í	144,746	5,643,401	1,003,128		263,959		83,634			1,350,721		1,460,613	,	2,832,067	
		ŏ	Sen	157					so.	92												

Exhibit F-2

CITY OF NORFOLK, VIRGINIA

# Combining Statement of Revenues, Expenditures and Changes in Fund Balance Normajor Goverrmental Funds For the Year Ended June 30, 2013

		Starm				Community			Community
SEVENIES		Water		Towing	Grants	Development	Cemeteries	8	Services Board
General property taxes	87		65			69	65	65	
Other local taxes		٠							
Fines and forfeitures		٠			3,410		•		٠
Use of money and property		8,592		1,348	3,487				7,508
Charges for services		13,856,067		1,211,907	31,371		1,173,615	10	5,243,899
Miscellaneous				78,480	1,780,272	195,932	•		26,409
Interg overnmental:									
Commonwealth of Virginia		60,690			11,618,719		5,194	**	10,457,388
recental government Total revenue		14,215,101		1,296,539	25,899,723	5,479,655	1,178,809	1	18,972,288
EXPENDITIBES									
General concernment					227.450				
helicial administration					3 562 892				
Public safety		٠			4,603,362				
Public works		10,135,817		1,413,960	2,487,221				
Health and public assistance					17,878,431	760,581			22,473,059
Cultural and recreation		٠			923,580		1,841,156	60	٠
Community development					1,472,003	4,719,074			
General services							•		٠
Education							•		٠
Debt service:									
Principal							•		
Interest and other charges									
Total expenditures		10,135,817		1,413,960	31,154,939	5,479,655	1,841,156		22,473,059
Excess (deficiency) of revenue over (under) expendiures		4,079,284		(117,421)	(5,255,216)		(662,347)	9	(3,500,771)
OTHER FINANCING SOURCES (USES)		,			4,651,242		525,580		3,048,450
Transfers out		(5,065,227)		(34,311)	(521,295)	•	•		
Total other financing sources and uses		(5,065,227)		(34,311)	4,129,947		525,580		3,048,450
Net change in fund balances		(985,943)		(151,732)	(1,125,269)		(136,767)	2	(452,321)
Fund balances—beginning		3,184,988		647,175	7,032,461		362,987	_	4,972,234
Adjustment to beginning net assets (Note XXV)								1	(227,233)

CITY OF NORFOLK, VIRGINIA

Exhibit F-2

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended June 30, 2013

		Special Revenue Funds	Revent	e Funds						Funds		ota
								Total	Î	Non-	ż	Nonmajor
		Public		EOC/		Tax		Special	EXD	Expendable	8	Governmental
Galf	ļ	Amerities		911		Increment		Revenue		Trust		Funds
69	69	٠	69		69	2,754,849	49	2,754,849	69	٠	100	2,754,849
		5,527,149		3,571,596		٠		9,098,745				9,098,745
		٠				٠		3,410		٠		3,410
100,928	328	٠				٠		121,863		5,907		127,770
989,834	334	٠		4,129		٠		22,510,822		174,470		22,685,292
		٠				٠		2,081,093		٠		2,081,093
				1,162,560				23,304,551				23,304,551
				3,418				21,281,245				21,281,245
1,090,762	762	5,527,149		4,741,703		2,754,849		81,156,578		180,377		81,336,955
								227,450				227,450
								3,562,892				3,562,892
				5,679,595				10,282,957				10,282,957
								14,036,998				14,036,998
								41,112,071				41,112,071
1,423,015	916	385,076				٠		4,572,827				4,572,827
						119,639		6,310,716				6,310,716
						٠		٠				
. 1000 001				. 040 604	ļ	* ***						
1,423,1	2	300,070		0,0/8/0,00		800,811		00,100,811				110,100,911
(332,253)	253)	5,142,073		(937,892)		2,635,210		1,050,667		180,377		1,231,044
413,000	000			848,810		•		9,487,082				9,487,082
		(1,309,950)				(541,981)		(7.472,764)		(305,580)		(7.778,344)
413,000	000	(1,309,950)		848,810		(541,981)		2,014,318		(305,580)		1,708,738
.108	80,747	3,832,123		(89,082)		2,093,229		3,064,985		(125,203)		2,939,782
96,	90,140	8,596,117		201,623		2,506		25,090,231		6,194,163		31,284,394
	0	000 000 00		*******				(227233)				(227,233)
30/1	887											200

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Exhibit G-1

### Combining Balance Sheet - Agency Funds June 30, 2013

			Comm	Commonwealth		
		Other	N	Virginia		Total
ASSETS						
Cash and short term investments	65	3,987,972	65	14,435	es.	4,002,407
Receivables, net of allowance						
for uncollectible accounts				•		•
Other						
Total assets	60	3,987,972	s	14,435	s	4,002,407
JABILTIES						
Vouchers payable	s	12,047	s	•	so	12,047
Due to other agencies		3,975,925		14,435		3,990,360
Total Labilities		0000000	۰	304 44	•	4 000 A 007

#### Agency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds:

Agency Fund – Other; to account for other monies held for private organizations and other funds including Sheriff's inmate funds and funds held on behalf of employees.

Agency Fund – Commonwealth of Virginia; to account for monies on deposit with the City Treasurer held for the Treasurer of the Commonwealth of Virginia.



Exhibit G-2

#### Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2013

Other	Balance	July 1, 2012 Additions Deductions June 30, 2013	\$ 3,957,184 \$ 8,513,733 \$ 8,4	\$ 39		6 \$ 29,825 \$ 1,269,592 \$ 1,287,170 \$ 12,047	\$ 3,967,708 \$ 9,522,014 \$ 9,501,750 \$	Commonwealth of Virginia	Balance	July 1, 2012 Additions Deductions June 30, 2013	orm invostments \$ 17,709 \$ 9,030,662 \$ 9,033,926 \$ 14,435 \$ 17,709 \$ 9,030,662 \$ 9,033,926 \$ 14,435	толимов\( \text{Tighting} \) \qquad \( \text{Tighting} \) \qquad \( \text{Tighting} \) \qquad \( \text{Tighting} \) \qquad \qquad \( \text{Tighting} \) \qquad \( \text{Tighting} \) \qquad \qquad \( \text{Tighting} \) \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qqqqqqqqqqqqqqqqqqqqqqqqqqqqqqqqqqqq	A cardinonia A modinonia A contin	Total	Balance Balance Balance July 1, 2012 Additions Deductions June 30, 2013	m investments \$ 3,974,893 \$ 17,544,385 \$ 17,5	8 3,985,417 \$ 17,544,385 \$ 17,527,385 \$ 4,002,407		s	or contract income contract
		02.100	Cash and short term investments	Total assets	LIABILITIES	Vouchers payable	Total labilities			ASSETTS	Cash and short term investments Total assets	LIABILITIES  Due to the Commonwealth of Virginia  Total labilities				ASSETS Cash and short term investments	Other receivables Total assets	LIABILITIES	Vourhersnavable	and a second

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The individual internal service funds are:

Storehouse Fund - to acquire and issue to the operating departments materials, parts and supplies which are used in the same form as purchased.

Fleet Management Fund - to provide the operating departments with maintenance, repair and service for the City fleet of Vehicles, heavy equipment and miscellaneous machinery.



Exhibit H-1

Combining Statement of Net Position - Internal Service Funds June 30, 2013

Fleet	Storehouse Management Total			\$ 554,186 \$ 2,796 \$ 556,982	- 988,119 988,119	1,891,193 190,754 2,081,947	2,445,379 1,181,689 3,627,048			415,000 415,000	10,722 3,882,606 3,883,328	10,722 4,297,606 4,308,328	\$ 2,456,101 \$ 5,479,275 \$ 7,935,376			\$ 16,994 \$ 281,026 \$ 298,020	- 631,860 631,860	17,427 157,531 174,958	2,277 45,828 48,105	42,568 440,081 482,649	- 2,142 2,142	79,266 1,558,468 1,637,734		3,569 67,512 71,081	3,569 67,512 71,081	\$ 82,835 \$ 1,625,980 \$ 1,709,815			\$ 4,297,606 \$	2,362,544 (444,311) 1,918,233	\$ 2303.20% \$ 3.863.205 \$ 6.226.661
		ASSETS	Current assets:	Cash and short term investments	Receivables, net	Irwentories	Total current as sets	Noncurrent assets:	Capital assets:	Land	Buildings and equipment, net	Total noncurrent assets	Total assets	LABILITIES	Curent labilities:	Vouchers payable	Due to other funds	Compensated absences	Accrued payroll	Obligations for employees' retirement	Other liabilities	Total current liabilities	Noncurent labilities:	Compensated absences	Total noncurrent labilities	Total liabilities	TO THE PERSON OF	NEI POSITION	Net investment in capital assets	Unrestricted	100000000000000000000000000000000000000

CITY OF NORFOLK, VIRGINIA

Exhibit H-2

Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds For the Year Ended June 30, 2013

				Fleet		
	Storehouse	esno	W.	Management		Total
OPERATING REVENUES	0	3 340 014	u	12 662 800	ø	16 003 714
Miscellaneous	9	3,638	•	332,409	•	336,047
Total operating revenues	3,3	3,344,552		12,995,209		16,339,761
OPERATING EXPENSES						
Personal services	2	225,753		2,330,983		2,556,736
Cost of goods sold	2,7	2,743,913		8,526,451		11,270,364
Plant operations		866'9		261,416		268,414
Depreciation		4,524		287,652		292,176
Retirement and OPEB contributions		42,568		440,081		482,649
Provision for bad debts				(2,536)		(2,536)
Other		70,022		1,564,846		1,634,868
Total operating expenses	3,0	3,093,778		13,408,893		16,502,671
Operating income (loss)	2	250,774		(413,684)		(162,910)
NONOPERATING REVENUE						
Interest and investment income				2,982		2,982
Total nonoperating revenue				2,982		2,982
Netincome (loss)	2	250,774		(410,702)		(159,928)
Change in net position	2	250,774		(410,702)		(159,928)
Net Change in Net Position	2	250,774		(410,702)		(159,928)
Net positionbeginning Net positionending	\$ 2,3	2,122,492	49	4,263,997 3,853,295	49	6,386,489

Exhibit H-3

Combining Statement of Cash Flows - Internal Service Funds For the Year Ended June 30, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Reet Management Total	\$ 12,494,178 \$ (2,850,261)	(9,376,846) (12,202,807) (1,566,432) (1,566,432)	(1,299,361) (1,093,134)	1,287,463	2982 2,982	1,074 253,325	1,722 303,657	\$ 2,796 \$ 556,982	\$ (413,684) \$ (162,910)	287,652 282,176		(503,567) (503,567)	) (22,968)	(30,838) (34,885)		\$ (1,299,361) \$ (1,093,134)
Storehouse	\$ 3,344,552 (312,364)	(2,825,961)	206,227	46,024		252,251	301,935	\$ 554,186	\$ 250,774	4,524		. 0000	(8,934)	(4,047)	(25,243)	\$ 206,227
TO DELIVER A CHIEF AND A CHIEF	CASH FLOW & FROM OF ENATING ACTIVITIES: Receipts from customers Payments to suppliers	Payments to employees Other payments	Net cash provide by (used in) operating activities	CASH FLOWS FROM NONCAPITAL FINANCING ACTVITIES. Infindrud activity	GASH FLOWS FROM INVESTING ACTIVITIES: Prinerest and dividents Not cash provided by investing activities	Net increase in cash and short term investments	Cash and short term investments - beginning of the year	Cash and short term investments - end of the year	Recordishon of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities Operating income (Use)	Augmentains to record and up a sing income (usey) to rest use in provided by (used in) operating activities: Degreciation expense	Provisor for bad debts Change in assets and liabilities:	Receivables, net	Vouchers payable	Accrued payrdll	Obligation for Employees' Retirement System	Other liabilities Net cash provided by (used in) operating activities

CITY OF NORFOLK, VIRGINIA Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

Schedule I

Federal Granting Agency/Recipient Recipient State Agency/Grant program	CFDA	Grant/Contract Number	Federal Expenditures	ARRA Expenditures	Federal Granti Recipient
Department of Adriculture:  Date (Payments: Food Stump Program - Administration Pass-strough Payments: State Department of Agriculture: State Department of Agriculture: National School Breakles Program National School Breakles Program	10.561		4,142,968		Environmental Pass-Thou, Virginia Virginia
National School Lunch Program National School Lunch Program (Commodities) National VA Child & Adult Care Food Program National Summer Food Service Program	10.555 10.556 10.558 10.559		9,219,327 1,142,297 5,832 713,453		Department of Pass-Thro Pass-Thro Pert Se FEMA FEMA FEMA FEMA FEMA FEMA FEMA FEMA
USDA School Nutrition Program	10.559		79,250		FEMA I
Department of Housing and Urban Development: Direct Payments:					Homels Department of
Community Development Block Grant For Kids, Inc. Haven Family Services	14.218		5,283,723 55,000		Direct Pay School
Salvation Army Ecumenical Family Shelter	14.231		34,000		Passing
St Columbia Ecum,	14.231		27,411		Debara
TWCA South mampton Roads Shelter Plus Care Program	14.238		462,893		∢ F
Supportive Housing Program HOME CHDO Operating	14.239		324,000 272,348		
Office to End Homelessness	14.239		72,175		
NRTA - MOTHEDLY & ASSISTANCE HOME NRHA Administration	14.239		183,502		
HOME - Rapid Exit Program ARRA - CDRG R	14.239		37,561	14 088	
Pass-Through Payments: Neighborhood Stabilization	14,228		27,025		
Department of Justice:					
State Criminal Alien Assistance Program	16.606		1,714		
Community Oriented Policing Services:	16 523		996 73		
Justice Assistance Grant Edward Byme Memorial Grant	16.523		254,924		
Bulletproof Vests Grant	16.607		18,265		
Asset Forteiture - special Police Grant COPS Hiring Program	16.922		466,557		
ARRA - COPS Hiring Program	16.710		900 00	292,897	F
Justice and Mental result Collaboration Program ARRA - Justice Assistance Grant	16.804		70,000	581,895	
Pass-Through Payments: US Marshall Service	16.000				
Department of Criminal Justice Services:			9		Department of
Project safe Neignbornoods Juvenile Accountability Block Grant	16.520	12-N3213JB10	36,315		
VSTOP Prosecutorial Project	16.540	12-Q9223VA11	44,659		
Evening Reporting	16.540	13-D5997JJ11	46,171		
Second Chance Act Stant Criminal Justice Information Technology	16.738		840		
Department of Labor:					
Diect rayinelis. VETS - Homeless Veterans Program	17.805		1,334		
Department of Transportation: Direct Payments: Pass-Through Payments:					
ARRA - Citywide Repaving	20.205	U000-122-219 U000-122-		804,440	Dept of
Citywide Traffic Signal Highway Safety Project Saloching Enforcement	20.205	S46/S55/S56	467,941 12,000 52,018		Department of
Selective Entorcement	20.800		52,018		Direct Pay ARRA -

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Granting Agency/Recipient Recipient State Agency/Grant program	CFDA Number	Grant/Contract Number	Federal Expenditures	ARRA Expenditures
Envicemental Protection Agency: Pass Trough Payments: Viginia Recordes Authorly - Revolving Loan Viginia Recordes Authorly - Revolving Loan Viginia Recordes Authorly - Revolving Loan Viginia Recordes Authorly - Revolving Loan	66.458 66.458 66.458	C-515433-02 C-515464-02 C-515492-01b	1,008,908 5,389,743 4,885,751	
Passitrough Payments Possitrough Payments Port Security Cant FEMA Hazard Majaation FEMA Hazard Majaation FEMA Hazard Majaation Urban area Security Initiative Homeland Security Grant	97.056 97.039 97.092 97.008		661,213 7,047 159,597 354,750 54,332	
Department of Education: Direct Payments: School Assistance in Federally Affected Areas Pass-Through Payments: Department of Education: Education Consolidation and Improvement Act of 1981: Adult Literacy	84.041	V002A100047	4,240,677	
Title I. Educationally Deprived Children- Programs Operated by LEA's ARRA. Tile 1 Part A Entitlements School Improvement - Title I School Improvement (Fait - Title I School I	84.010 84.389 84.010 84.388 84.010	S010A030046 S389A090046 S010A100046 S010A100046 S388A090047 S010A030046	22,147,499 2,526 88,676 153,732	17,130
Program for Neglocked Children Everstart Program Everstart Program FRRA- Neglocked, Delmquent or At-Risk Tils III: Limited English	84.013 84.213 84.389 84.365	S013A090046 S213C080047 S389A090046 S365A10046	51,966 (909) 45,421	3,503
The Virties and Total States of American Production of Handicapped Assistance to States for Education of Handicapped Children and Education Previous Province of States of Program for Speed Previous Program for Speed Prediction Man Grants Virginia Department of Educations (Title N-4):  Very Right Department of Education: Virtie N-49:  Very Right Department of Education: Virtie N-49:  Vocational Education: American Program for Speed Previous Program Can Previous Vocational Education: Health & Medical Sperioss Health & Medical Sperioss	84.027 84.027 84.027 84.027 84.048	H0Z7A100107 H0Z7A100107 H0Z7A100107 H0Z7A100107 VA048A110046	25,220 7,345,315 335,144 24,000 82 772,944	
Department of Education Icontinued): Special Projectis: Modrenty Homeless Satisface Modrenty Homeless Satisface Modrenty Homeless Satisface Certain Satisface Financing Education with Tech Phase II 1003g School Improvement Gant I (Award 2009) 1003g School Improvement Gant I (Award 2010) 2 15 Century Community Learning Center Early Neading First Satis Council of Higher Education Teacher & Principal Tenning Investing in Invocations 13 National Science Foundation ARPA L Longlutional Data System And School Program ARPA L Longlutional Data System Dept of Mental Health, Mental Relatediston and Substance Abuses Mental Retardation Early Intervention	47.076 84.196 84.377 84.377 84.367 84.367 84.367 84.367 84.367 84.367 84.367 84.367 84.367 84.367	918313 G11810 S318X10046 S377A10047 S358800116 Y2-15-573861 PAPE R38AA100037 R38AA100037	36,665 75,866 77,829 11,075 344,877 1,287,135 17,003 2,345,832 261,384 261,384 261,384 261,384 261,384 261,384 261,384 261,384	4.200
Department of Energy Direct Payments: ARRA - Energy Efficiency and Conservation Block Grant	81.128			157,040
<u>Dopartneria of the Navy.</u> Pass-Through Payments Hampton Roads Full Scale Training	12.607		6,168	

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### CITY OF NORFOLK, VIRGINIA Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

Schedule I

#### ARRA Expenditures 99,374 190,724 4,102,100 14,229 356,094 (624) 594,488 15,593 21,460 2,536,231 1,527,354 3,632,392 51,494 100,758 2,460,097 143,153 1,800,153 08,134,684 4,600 Federal Expenditures 2,690,371 Grant/Contract Number 97.036 93.150 93.556 93.566 93.568 93.568 93.598 93.596 93.596 93.658 93.659 93.667 93.767 93.778 93.958 ₹ Ž Department of Health and Human Services; Denet Payments HVMLDG Camt HVMLDG Camt Place Administration Pass Through Payments: Temporary Assistance in Transition to Homeless (PATH) Youth & Temple Services Gent I can also the Temporary Assistance of Leave Services Temporary Assistance in New Services Cant Temporary Assistance State Administered Prog Local-Income Home Energy Assistance State Administered Prog Payments to States for Child Care Assistance Payments of States for Child Care Assistance Found Development Care Independent Living Program - Education and Training Family Preservation Adoptive, assistance Scoil Services Block Cant Independent Livrig Initiative Program FAMIS Outneeth Gamar Administrative Mental Health Tedea Block Grant Mental Health Tedea Block Grant Substance Abuse Federal Block Grant Federal Granting Agency/Recipient Recipient State Agency/Grant program Federal Emergency Management Agency Direct Payments: Noreaster Dissister Assistance Other Federal Assistance: Sheriff Social Security Totals

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# CITY OF NORFOLK, VIRGINIA NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2013

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City. The City of Norfolk single audit reporting entity includes the primary government and the School Board and Community Services Board component units.

Federal awards not received through direct programs are passed through the departments and agencies of the Commonwealth of

#### 2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred or measurable. The related revenue is reported net of unexpended amounts returned to grantors.

### 3. Relationship to the Basic Financial Statements

Federal award revenue is reported in the City's basic financial statements as follows:

i edelal awalu leveride is reported il the City's basic illiaricial statements as follows.			
Major governmental funds	97	\$ 21,	21,064,410
Non-major governmental funds		21	21,281,245
Total revenues from federal government		42	42,345,655
Component Unit - School Board			
Total Federal Grants Awarded	58,786,105		
Direct Payments:			
Navy Junior ROTC	478,187		
Erate - Universal Service Funds	363,766		
Medicaid	1,426,472		
Total - Norfolk Public Schools		61	61,054,530
Total federal financial assistance reported in			
basic financial statements	97	\$ 103,	103,400,185
Federal awards not reported as federal revenue in			
basic financial statements:			
Enterprise - VRA Loan - Wastewater Fund		1	11,284,402
CSA Federal Revenue		-	1,025,487
Disaster Assistance Federal Revenue			247,813
Federal awards not reported on the SEFA:			
Norfolk Public Schools Direct Payments		(2)	(2,268,425)
US Marshall Services		_	(259,890)
Build America Bond Interest Rate Subsidy			(99,737)
Other reconciling items		_	(116,451)
Total federal awards	93	\$ 113,	113,213,384
Reconciliation to Exhibit A-3			
Revenues from federal government	97	42,	42,345,655
Revenues from Commonwealth of Virginia	ı		118,802,091
Total intergovernmental revenue	67	\$ 161.	161,147,746

# CITY OF NORFOLK, VIRGINIA CITY OF NORFOLK, VIRGINIA NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2013

Clusters

Clustered programs for the year ended June 30, 2013 were as follows:	CFDA	Federal
Clair Logiani Chara	i delli Del	Population
National School Breakfast Program National School Lunch Program National School Lunch Program (Commodities) USDA School Nutrition Program	10.553 10.555 10.556 10.559	3,401,595 9,219,327 1,142,297 79,250
National VA Child & Adult Care Food Program National Summer Food Service Program Total Child Nutrition Cluster	10.559	5,832 713,453 14,561,754
Food Stamp Program - Administration Total Supplemental Nutrition Assistance Program (SNAP) Cluster	10.561	4,142,968 4,142,968
Community Development Block Grants Frütlement Grants ARRA - Community Development Block Grant Total CD8G - Entitlement Grants Guster	14.218 14.253	5,283,723 14,088 5,297,811
Neighborhood Stabilization Total CDBG - State-Administered CDBG Guster	14.228	27,025 27,025
ARRA - Justice Assistance Grant Total JAG Program Guster	16.804	581,895 581,895
ARRA - Citywide Repaving Citywide Traffic Signal Total Highway Planning and Construction Cluster	20.205	804,440 467,941 467,941
Selective Enforcement Highway Safety Project Total Highway Safety Cluster	20.600	52,018 12,000 64,018
Educationally Deprived Children- Programs Operated by LEA's School Improvement - Title I School Improvement Grant - Title	84.010 84.010 84.010	22,147,499 2,526 88.676
Negligent Delinquent Children Program for Neglected Children	84.010 84.013	153,732 51,966
ARRA, -School Improvement Fund ARRA - Neglected, Delinquent or At-Risk ARRA - Tille I Part A Entitlements Total Title I, Part A Guster	84.389 84.389 84.389	3,203,507 3,503 17,130 25,668,539
Special Education Flow Thru (Federal) Virgina In mentive Program for Special Language Pathobgist Handicapped Preschool Incentive Grant Virgina Department of Education Mini Grants  The Control Control Control Control Control  The Control Control Control Control Control  The Control Control Control Control Control  The Control Control Control Control  The Control Control Control Control  The Control Control Control  The Control Control  The Control Control  The Control	84.027 84.027 84.173 84.027	7,345,315 24,000 335,144 82 82
School Assistance in Federally Affected Areas Total Impact Aid Cluster	84.041	4,240,677 4,240,677
Mental Retardation Early Intervention Total Early Intervention Services (IDEA) Guster	84.181	243,625 243,625
McKinney Homeless Assistance Total Education of Homeless Children and Youth Cluster	84.196	25,856 25,856
Enhancing Education with Tech Phase II Total Education Technology State Grants Cluster	84.318	75,829 75,829

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# CITY OF NORFOLK, VIRGINIA CITY OF NORFOLK, VIRGINIA NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2013

Clusters (continued): Grant Program / Cluster	CFDA Number	Federal Expenditures
1003g School Improvement Grants (Award 2009) 1003g School Improvement Grants (Award 2010) ARRA - 1003g School Improvement Funds of ARRA Total School Improvement Grants Cluster	84.377 84.377 84.388	116,026 1,215,258 3,203,507 4,534,791
Longitudinal Data Systems Total Statewide Data Systems Cluster	84.384	4,200
Temporary Assistance to Needy Families (TANF) Total TANF Cluster	93.558	4,102,100
Payments to States for Child Care Assistance Child Development Care Total CDF Cluster	93.575 93.596	(624) 594,488 593,864
Medical Assistance Program - Administrative Total Medicaid Cluster	93.778	2,460,097
Sub-recipients Federal funds passed through to subrecipients for the year ended June 30, 2013 were as follows:	e 30, 2013 were as	follows:
Federal Granting Agency / Grant Program		Amount
Department of Housing and Urban Development		
Community Development Block Grant (14.218)		2,961,490
HOME Grant Program (14.239)		1,312,100
Emergency Shelter Grant Program (14.231)		187,429
Total Department of Housing and Urban Development		4,461,019
Department of Health and Human Services		
Temporary Assistance for Needy Families (93.558) Goodwill Child Development Care (93.596) The Planning Council Total Child Care Development	266,916 235,445	266,916 235,445
HIVIAIDS Grant (98.914) Baylew Pharmacy Baylew Pharmacy Community Psychological Group ACCESS Hampton Newport News CSB Health and Horne Support Services International Black Withornes Compens International Black Withornes Corporational Leads Withornes Compounds Latent Community Leads To Accept Services International Black Withornes Componses	166,624 1,196,593 117,975 670,815 - 246,139 166,60	4,085,089
Norfok Community Services Board Peninsuals institute of Community Health Perinsuals institute of Community Health Perissuals ADS Community Health Center Tidewater ADS Community Health Center Urban League of Hampton Roads Wilginia Beach Department of Health Williamsburg AIDS Network Total HIVANDS Grant	408,330 284,559 330,284 170,826 40,239	
Total Department of Health and Human Services		4,587,450
Total Payment to Sub-Recipients		9,048,469

#### SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -

~Special Revenue Funds~

~Internal Service Funds~

~Capital Projects Fund~





Exhibit J-1

CITY OF NORFOLK, VIRGINIA

Schedule of Revenues and Expenditures - Budget and Actual Towing and Recovery Operations Special Revenue Fund For the Year Ended June 30, 2013

						Positive
				Actual	_	Negative)
		Budget	Bud	Budgetary Basis		/ariance
Revenues:						
Use of money and property	69	1,200	69	1,348	69	148
Charges for services		1,617,750		1,211,907		(405,843)
Intergovemmental - federal				4,804		4,804
Miscellaneous		85,050		78,480		(6,570)
Total revenue	s	1,704,000	S	1,296,539	S	(407,461)
Expenditures and transfers:						
Towing and recovery	છ	1,704,000	s	1,448,271	s	255,729

Schedule of Revenues and Expenditures - Budget and Actual Storm Water Utility Special Revenue Fund For the Year Ended June 30, 2013

						Positive
				Actual	_	(Negative)
		Budget	Buc	Budgetary Basis		Variance
Revenues:						
Use of money and property	s	2,400	69	8,592	છ	6,192
Charges for services		14,187,800		13,856,067		(331,733)
Intergovemmental - federal				289,752		289,752
Intergovemmental - state				069'09		069'09
Rollover from prior year		1,000,000				(1,000,000)
Total revenue	69	15,190,200	69	\$ 14,215,101	69	(975,099)
Expenditures and transfers:						
Storm water	69	15,190,200	69	\$ 15,201,044	69	(10,844)

CITY OF NORFOLK, VIRGINIA

Exhibit J-1

Schedule of Revenues and Expenditures - Budget and Actual Golf Special Revenue Fund For the Year Ended June 30, 2013

				Actual	·Z	Negative)
		Budget	Bud	Budgetary Basis	,>	Variance
Revenues:						
Charges for services	S	974,463	69	989,834	S	15,371
Use of money and property		84,000		100,929		16,929
Transfer in		439,137		413,000		(26,137)
Total revenue	S	1,497,600	S	1,503,763	S	6,163
Expenditures:			•			
Operations	n	1,497,600	n	1,423,015	n	74,585

Schedule of Revenues and Expenditures - Budget and Actual Emergency Operations Special Revenue Fund (EOC 911) For the Year Ended June 30, 2013

				Actual	- =	Positive Negative)
		Budget	Bud	Budgetary Basis		Variance
Revenues:						
Other local taxes	S	3,571,596	s	3,571,596	S	
Recovered cost		1,263,409		1,170,107		(93,302)
Rollover from last year		688,061				(688,061)
Transfer in		437,934		848,810		410,876
Total revenue	s	5,961,000	છ	5,590,513	છ	(370,487)
Expenditures:						
Operations	69	5,961,000	s	5,679,595	69	281,405

Exhibit J-1

Schedule of Revenues and Expenditures - Budget and Actual Cemeteries Special Revenue Fund For the Year Ended June 30, 2013

		Budget	Bud	Actual Budgetary Basis	-6/	Positive (Negative) Variance
Revenues: Charges for services	S	1,026,476	S	1,173,615	S	147,139
Miscellaneous		305,613				(305,613)
Recovered Cost		300,000				(300,000)
Transfer in		464,540		525,580		61,040
Intergovemmental - state				5,194		5,194
Rollover from last year		116,971		116,971		
Total revenue	s	2,213,600	S	1,821,360	69	(392,240)
Expenditures:	e	2 213 600	ø	1841156	ø	372 444

Schedule of Revenues and Expenditures - Budget and Actual Public Amerities Special Revenue Fund For the Year Ended June 30, 2013

Revenues: Taxes-Hotel & Restaurant   \$ 6,524,200     Taraster out (C.P.)   \$ 1,000,000     Transter out (C.P.)   \$ 1,000,000     Transter out (C.P.)   \$ 309,590     Transte	Budget	png	Budgetary Basis		Variance
(CIP) \$ (Debt Service) cortunity Grants	4,200	69	5,527,149	69	2,949
69 - S					
_ s	000'0	69	1,000,000	69	٠
	9,950		309,950		٠
	000'0		250,000		٠
All purpose 3,964,250	4,250		135,076		3,829,174
Total expenditures \$ 5,524,200	4,200	69	1,695,026	69	3,829,174

CITY OF NORFOLK, VIRGINIA

Exhibit J-1

Schedule of Revenues and Expenditures - Budget and Actual Tax Increment Financing Special Revenue Fund For the Year Ended June 30, 2013

Negative)	Variance	٠		378,405	1,714,824	2,093,229
_		69		s		s
Actual	getary Basis	2,754,849		541,981	119,639	661,620
	Bud	69		69		S
	Budget	2,754,849		920,386	1,834,463	2,754,849
		69		69		S
		Revenues: Taxes-real property	Expenditures:	Transfers out	Community development	Total expenditures

## Schedule of Revenues and Expenditures - Budget and Actual Fleet Internal Service Fund For the Year Ended June 30, 2013

					_	Positive
				Actual	٤	(Negative)
		Budget	Buc	Budgetary Basis	_	Variance
Revenues:						
Charges for services	69	12,608,759	69	12,662,800	S	54,041
Miscellaneous & recovered costs		104,790		335,391		230,601
Other Sources and Transfer In		367,751				(367,751)
Total revenue	69	13,081,300	s	12,998,191	s)	(83,109
Expenditures:						
Fleet	S	13,081,300	S	13,408,893	s	(327,593)

## Schedule of Revenues and Expenditures - Budget and Actual Storehouse Internal Service Fund For the Year Ended June 30, 2013

Positive	egative)	Variance	23,839	226,935
Δ.	Ż	×	69	69
	Actual	åudgetary Basis*	600,639	349,865
	1	Budge	s	69
		Sudget	576,800	576,800
		ш	s)	69
			Revenues: Charges for services	Expenditures: Storehouse

\*The difference in revenue and expenditures per this schedule compared to Exhibit H-2 represents cost of goods sold which is not included in the operating budget.

Exhibit J-3 Exhibit J-2

				Expenditures		
	_	Project Budget	Prior Years	Current	Total	Available
Community Davadonment						
Neighborhood Project Development	69	14,028,070 \$	13,392,376 \$	163,134 \$	13,555,510 \$	472,560
Neighborhood Conservation/Revitalization		86,011,218	70,670,083	4,417,078	75,087,162	10,924,056
Majahhorhood Streets Improvements		22,995,695	15,821,318	1,230,575	17,051,893	3,943,802
Neighborhood commercial Improvements		12 792 780	10 752 973	28.565	10.781.538	2 011 242
Create Special Service Areas		500,000	246 905	221540	468 445	31.555
Other		270,000	267,402	372	267.774	2,226
Community Development Total		138,897,763	112,894,255	6,300,722	119,194,977	19,702,786
Cultural Facilities Attucks Theatre Renovations		2 550 629	2 558 762		2 558 762	(8 133)
Scope and Chrysler Hall Improvements		19.162.162	17,352,232	442.637	17.794.870	1.367.292
Chrysler Museum Improvements		9.808.912	8.780.703	1.008.684	9.789.387	19.524
Civic Building Improvements		1,229,595	1,229,595		1,229,595	
Conference Center		61,468,277	14,949,155	98,645	15,047,801	46,420,476
Harrison Opera House Improvements		404,856	404,856	. '	404,856	
MacArthur Memorial Improvements		2,651,629	2,615,601	6,436	2,622,037	29,592
Nauticus/Maritime Center Improvements		3,582,500	3,529,218	18,705	3,547,923	34,577
USS Wisconsin Improvements		6,704,060	2,818,452	3,287,406	6,105,858	598,202
Other		5,631,612	3,575,657	4,267,067	7,842,724	(2,211,112)
Cultural Facilities Total		113,194,231	57,814,231	9,129,581	66,943,812	46,250,418
Economic Development		40 004 003	43 000 307	9 077 650	47 979 048	2 043 887
Nauticus/Cruise Terminal Development		38 300 000	38 258 504	3,977,630	38 275 583	4,013,007
Hintersville Redevelopment		1,000,000	70,882	606,01	70.882	929 118
Wachovia Center Development		5,375,000	3,553,101		3,553,101	1,821,899
Kroc Center Development		4,000,000	3,994,779		3,994,779	5,222
Other		13,314,793	12,183,501	389,814	12,573,314	741,479
Economic Development Total		111,971,726	101,961,253	4,384,452	106,345,705	5,626,021
General/Other						
Campostella Landfill Closure		2.500.000	1.458.959	153.112	1.612.071	887.929
Beach Frosion Control		26.693.500	20.816.300	3.062.933	23.879.233	2.814.267
Transfer to Debt Service		1,600,000	5,194,024		5,194,024	(3,594,024)
IFMS Implementation		5,900,224	5,900,407		5,900,407	(183)
Waterway Dredging Projects		5,409,701	4,501,299	82,580	4,583,879	825,821
Conservation and Green Vision Implementation		5,488,874	4,025,142	241,106	4,266,248	1,222,627
Public Safety Radio Communication System Upgrade		2,900,000	4,457,414	246,660	4,704,074	1,195,926
General/Other Total		63.619.497	53.910.853	5.502.445	59.413.298	4.206.199
Public Buildings and Facilities		1000				6
Fire Station Emergency Generation Program		906,700	9 750 007	- 00	9 700 570	9,003
Apprilat Roof Maintenance		8,269,233	7 521 546	23,363	7 733 202	288,073
Library Facilities - Anchor Branch		10.305.787	10 297 655	5.475	10.303,130	2 657
Police Precinct Replacement		20.848.453	20.141.992	186.662	20.328.654	519.799
Courts Replacement and Renovations		93,096,138	19,443,211	34,038,950	53,482,161	39,613,977
Jail Renovations		2,529,451	1,558,381	32,558	1,590,940	938,511
Selden Arcade Renovations		8,400,543	8,400,543		8,400,543	. '
City Hall Building Renovations		11,747,477	11,296,589	91,162	11,387,752	359,726
Tow Yard Acquisition		697,045	360,017		360,017	337,028
Fire Facilities Replacement/Improvements		3,758,848	3,743,460	7,014	3,750,475	8,373
Police Training Facilities		656,000	656,000		656,000	
Main Library Construction		68,227,997	16,885,406	23,857,460	40,742,867	27,485,131
Other		12 483 166	8 169 657	1 744 047	9 9 13 7 04	2 569 461
Public Buildings and Facilities Total		247.118.319	113,721,794	60.214.568	173,936,362	73,181,956
•						

Exhibit J-3

STATISTICAL

(Unaudited)

SECTION

CITY OF NORFOLK, VA Schedule of Expenditures - Budget and Actual From Inception and for the Year Ended June 30, 2013

Project   Profect   Prof						
And the School Registers         27,009-24         4,000-24         1,011-04-04         2,000-04         3,000-04         3		Project	Osios V	-	F	Andion
Section   Sect	s/Recreational Facilities	196nnn	000	TID III	100	D. A. A. B. B. C.
\$2,896,000   \$2,08,891   \$2,08,901   \$3,08,901   \$3,08,901   \$3,08,901   \$3,08,901   \$3,08,901   \$3,09,900   \$3,08,901   \$3,09,900   \$3,09,901   \$3,09,900   \$3,09,901   \$3,09,900   \$3,09,900   \$3,000	Zoo Master Plan	27,093,422	24,429,016	2,115,295	26,544,311	549,111
Secretarion Center improvements   12,44,414   91,96,0.25   12,168   11,56   15,169   33,30   15,169   33,30   15,169   33,30   15,169   30,00,000   2,40,0.23   13,42,43   15,164   15,164   15,164   15,164   15,164   15,164   15,164   15,164   15,164   15,164   15,164   15,164   15,164   15,164   15,164   15,164   16,164   15,164   1	Titustown Recreation Center Improvements	3,550,000	3,208,961		3,208,961	341,039
1,597,436   1,159	Botanical Gardens	2,494,414	1,986,205	12,158	1,998,363	496,051
Tribunity Representational Center 7,094776 - 7,4947017 - 7,69476 - 7,494776 -	Existing Recreation Center Improvements	11,597,413	9,409,423	1,037,415	10,446,838	1,150,574
11 Figs 500 to 10 9,000 1 9,000 1 1,00	Norview Recreation Center	7,949,500	7,947,756		7,947,756	1,744
Park Improvements a	Lambert's Point Golf Course	9,050,000	9,050,000		9,050,000	
1,200,415   1,20	Lambert's Point Community & Recreational Center	7,023,281	6,824,444	19,504	6,843,948	179,333
Finess & Westels the Removations (2789) 00 2598,158 (88739 2657,998 13 200 0 249012 1000 0 249012 1000 0 249012 1000 0 249012 1000 0 140012 10000 0 140012 10000 0 140012 10000 0 140012 10000 0 140012 10000 0 140012 10000 0 140012 10000 0 140012 10000 0 140000 0 140000	Harbor Park Improvements	1.424.947	1,260,415	103,827	1,364,243	60.704
reak & Westsic Conter Remonstrons (1803) 543 (2000) 2.450 (170) 170 (170) 494 (2000) 2.450 (170) 170 (170) 494 (2000) 2.450 (170) 494 (2000) 2.450 (170) 494 (2000) 2.450 (170) 494 (2000) 2.450 (170) 494 (2000) 2.450 (170) 494 (2000) 2.450	Athletic Field Renovations	2 789 000	2 569 158	88 739	2,657,898	131 102
To the control of the	Norfolk Ethogon 9 Wollboan Contor Department	1 903 643	4 800 340	60,100	1 903 660	(407)
2,470,017   2,000   1,48,149   4,11,18,149	NOTION FITHESS & Wellness Center Renovations	1,603,543	1,600,349	3,320	600,500,1	(171)
1,125,000	Broadcreek & Westside Neighborhood Parks	2,616,468	2,470,012	20,000	2,490,012	126,456
16,020   16,020   16,020   16,020   16,020   16,020   17,02,099   17,02,099   17,02,099   17,02,099   17,02,099   17,02,099   17,02,090   17,02,090   17,02,090   17,02,090   17,02,090   17,02,090   17,02,090   17,02,090   17,000   17,0	Town Point Park Improvements	11,525,000	11,478,749		11,478,749	46,251
Bisachon	Martin Luther King Park	120,999	116,020		116,020	4,980
to Symmetry         6,724,774         6,773,172         7,771,64         7,00,530         9,539,90         6,510,89         7,71         7,77,11	Waterside Waterfront Renovations	833.600	833.241		833.241	359
15/193467   15/1	Incleside Gympasium	6 703 072	5 731 494	780 593	6 512 087	210 985
cy Recreational Pacifies Total         108,734,116         95,899,390         9,289,106         105,289,47         4/47           bublic School Replacement         5,286,000         2,886,699         2,886,699         -         2,986,699         2,223,466         -         2,233,466         -         2,233,466         -         2,233,466         -         2,233,466         -         2,233,466         -         2,233,466         -         2,234,699         -         2,234,433         -         2,234,699         -         2,234,699         -         2,234,699         -         2,234,699         -         2,234,699         -         2,234,699         -         2,234,699         -         2,234,699         -         2,234,699         -         2,234,699         -         1,178,833         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,178,234         -         1,177,234         -	Other	13 139 460	6.854.146	5 108 254	11 962 400	1 177 060
dide School Replacement 7,071,710 7,070,242 79 7,070,221 Public School Intellive 5,565,000 5,283,456 - 5,283,456 - 5,283,456 - 2,286,6569 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,6599 - 2,286,69	Parks/Recreational Facilities Total	109,734,118	95,969,390	9,289,106	105,258,497	4,475,622
the School Replacement 5,586,000 5,283,466 - 2,283,466 - 2,283,466 - 2,283,466 - 2,286,000 5,283,466 - 2,286,000 5,283,466 - 2,286,000 5,283,466 - 2,286,000 5,283,466 - 2,286,000 5,283,466 - 2,286,000 5,283,466 - 2,286,000 5,283,466 - 2,286,000 5,283,466 - 2,286,000 5,283,466 - 2,286,000 5,283,466 - 2,286,000 5,283,473,465 - 2,284,473 - 2,284,485 - 2,284,486 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,486 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,284,485 - 2,2	9					
Construction  2 9655690  2 0 203466  Construction  2 9655690  2 2550000  1 20000  1 405001  1 40	Blair Middle School Replacement	7,071,710	7.070.242	62	7,070,321	1,389
to Address the control of the contro	Norfolk Public School Initiative	5.265.000	5 263 456	٠.	5.263.456	1.544
tool Affields eShool 1,500 000 1,405,011 2.25 2.02,233 2.02,234 1.02,234 2.	Noniew Construction	29.865.659	29.865.659		29.865.659	
To Place Benevatory Replacement 2,039,989 2,02,049,13 4,2,922 7,029,236 347 1,026,000 1,026,142 1,026,149	Southside Middle School	2.250.000				2.250.000
To be common to the process of the common of	High School Athletic Field	1500,000	1 495 091		1 495 091	4 909
axis Elementary Replacement 2,9468,525 14,286,344 1,286,442 2,5960,569 3,47    2,9468,525 14,286,344 1,286,412 2,5960,599 6,117,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,17,844,344 1,18,844 1,18,844 1,17,844,344 1,18,844 1,18,844 1,17,844,344 1,18,844 1,18,844 1,18,844 1,18,844 1,18,844 1,18,844 1,18,844 1,18,844 1,18,844 1,18,844 1,18,844 1,18,844 1,18,844,344 1,18,844 1,	Colomon Disco Clomontary Donloromont	000'000''	20,000,00	42 022	100,007,1	1,000
Assis bentinating Tragslaces 1 (17,000 to 10,000 to 10,0	Coleman ridge Elementaly Nephacement	20,290,909	014,642,02	726,24	20,292,333	000'-
17,249.04.5   17,049.05.3   1,050.71.5   1,050.75.34   1	Crossroads Elementary Replacement	29,400,020	19,220,340	0,704,022	45.007.503	3,477,000
All	i i i i i i i i i i i i i i i i i i i	22,120,022	14,700,304	611,622,1	000,788,01	0,131,110
Arther Countly Improvements         17,220,000         11,908,140         1,888,649         13,796,789         3,44           Arther Facility Improvements         1,782,255         2,500,017         96,634         2,819,650         96           Inc. Clean & Sip, Lining         1,722,255         1,722,255         1,722,257         1,172,057         1,182,057         1,182,059         1,182,057         1,182,057         1,182,057         1,182,057         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,059         1,182,099         1	Schools Total	117,843,485	97,938,593	8,036,742	105,975,334	11,868,151
Aylate Californium of Marker Earliky Improvements         17,28,250         17,88,255         3,44         1,57,80,700         3,44         3,4	Water					
1,884,478   2,590,017   598,544   2,178,026   598,748   2,178,026   598,748   2,178,026   598,748   2,178,026	Storm Water Quality Improvements	17.220.000	11,908,140	1.888,649	13,796,789	3,423,211
1788_255   1788_255	Storm Water Facility Improvements	3.584.478	2.530.017	89.634	2,619,650	964.828
Incolean & Sip Limity         G97,287         995,843         195,943         195,943         195,943         195,943         117,42,057         1,117,	Old Dominion University Master Plan	1 788 255	1 788 255		1 788 255	
1,12916.00	Drain Line Clean & Situ Lining	796 700	005.843		005,000	1 424
and Master Project 2,012,975 2,012,975 1,000,000 2,012,1705 1,000,1705 1,170,1705 1,000,1705 1,170,1705 1,000,	Maintine Creation Supriming	102,100	200,000	4 550 760	240,040	1771
Augusteen	Neighborhood Flood Reduction	12,916,000	0.01,191,295	707,000,1	11,742,057	250,071,1
m Water Total         4,012,975         29,702,424         3,529,04         3,231,469           minion University Master Plan         6,868,600         6,900,624         3,529,469         6,940,153           Uban Support Program         9,730,25         8,073,752         7,881         8,01,53           Uban Support Program         10,765,224         7,811,667         7,881         8,01,53           R Interescing Exhausments         10,765,224         7,811,667         8,733,49         8,733,49           R Interescing Exhausments         62,984,667         45,517,836         17,781,625         8,789,99           A Companient Characterists         14,414,200         11,557,591         4,786,665         17,203,166           C IV Development Characterists         14,414,200         1,557,780         4,786,665         1,203,166           A Unsupported Characterists         10,507,781         89,282         1,322,66         3,374,49           A Unsupported Characterists         10,507,781         89,573,782         1,507,693         1,507,693           A Unit Indoorements         10,507,781         89,693,792         1,507,693         1,507,693         1,507,693           A Unit Indoorements         10,507,781         19,693,175         20,1086,439         1,507,694 <t< td=""><td>Bulkheading Master Project</td><td>2,100,000</td><td>2,087,700</td><td></td><td>2,087,700</td><td>12,900</td></t<>	Bulkheading Master Project	2,100,000	2,087,700		2,087,700	12,900
m Water Total 40.618.975 29.702.424 3.529.045 33.231.469 m Water Total 6.888.600 6.89.0894 9.288 6.940.153	Other	2,012,975	201,775		201,775	1,811,200
minor University Master Plan 6,886,800 6,390,894 9,258 6,940,153 (154,432) Under Support Program 9,773,025 8,073,782 7,681 8,081,433 (154,732)  8,073,782 7,116,782 8,789,99 (175,182) 8,116,724 7,116,787 41,898 2,715,182 8,374,99 (176,182) 8,105,784 8,116,7	Storm Water Total	40,618,975	29,702,424	3,529,045	33,231,469	7,387,506
9,778,020 9,778,020 9,778,020 10,705,24 10,705,24 10,705,24 10,705,24 10,705,74 10,705,74 10,705,74 10,705,74 10,705,74 10,705,74 10,705,74 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,857,68 11,858,08	portation					
3167.242 8.073.752 7.861 8.014.433 3.167.242 1.761.852 8.014.433 3.167.242 8.073.75 2.761.852 8.014.433 8.014.433 8.014.433 8.014.433 8.014.433 8.014.433 8.014.433 8.014.433 8.014.433 8.014.667 978 8.32 8.014.89999 8.015.761.852 8.014.80999 8.015.761.852 8.014.80999 8.015.761.852 8.014.801.971 11.875.761 8.014.801.999 1.015.761 8.014.801 8.014.801 8.014.801 8.014.801 8.014.801 8.014.801	Old Dominion University Master Plan	009'898'9	6,930,894	9,258	6,940,153	(71,553)
10706.294 211.667 418 968 217515.25 10706.294 211.667 418 968 217515.25 10706.294 211.667 418 968 217515.25 10706.294 45.517580 417.882 8137439 813743	VDOT Urban Support Program	9,773,025	8,073,752	7,681	8,081,433	1,691,593
10765,294   7811,667   978,332   878,999   878,322   878,999   8	Bridge Maintenance & Repair Program	31,667,241	21,332,567	418,958	21,751,525	9.915.716
8.405.774 8.715.89 117.882 8.37743 11.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4.	Signal & Intersection Enhancements	10 705 294	7811667	978 332	8 789 999	1915 295
s 62,64,074 4.5,67,630 4,314,34 4,537,439 13(  14,44,200 11,557,561 475,605 12,033,166 2,2,388,822 15,27,689 4,527 13(  10,077,974 5,289,392 15,027,689 13,023,169 4,527 13(  10,077,974 5,289,392 15,027,992 1,329,693 1,326,694 1,329,694	Other depth of the second of t	0 405 704	001010	447 000	000,000	20000
s (2594,007 4) 40,517,801 4,374,431 4,8991,147 1 4,8991,1	Citywide Souldwall Flograffi	100,100,00	000120	200,111	60t' 200'0	0100000
11657 861 475 666 475	Neignborhood Streets Improvements	62,954,067	45,517,630	4,3/4,347	176,188,64	13,002,095
2.038,822 1,027,648 4,521 1,382,169 34 105,017,94 69,387,92 900,510 70,190,872 34 105,017,94 69,387,92 900,510 70,190,872 34 13,795,000 1,379,485,89 14,299,43 14,299,	Atlantic City Development	14,414,200	11,557,561	475,605	12,033,166	2,381,034
Transfer Station at Harbor Park	Citywide Boat Ramp Improvements	2,388,822	1,927,648	4,521	1,932,169	456,653
bp Multi-Modal Transfer Station at Halbor Park         4,350,000         279,840         1,568,228         1,583,059           1,359,000         2,78,640         1,583,009         14,299,643         14,299,643         14,299,643           1,000         277,043,814         194,393,314         9,693,125         204,086,439         7           2,00         275,041,927         8,683,006,107         116,079,787         974,395,894         2,22	Construct Light Rail	105,017,974	69,287,362	903,510	70,190,872	34,827,102
22.489,806 13.454,835 844,809 14,299,643 787 878,043,814 194,593,314 9,693,125 204,096,439 7 878,74385,894 \$ 24,895,994,395,994,395,994,995,995,995,995,995,995,995,995,9	Develop Multi-Modal Transfer Station at Harbor Park	4,350,000	279,840	1,558,228	1,838,069	2,511,931
279,043,614 194,393,314 9,693,125 204,066,439 7 \$ 1,222,041,927 \$ 858,306,107 \$ 116,079,787 \$ 974,386,894 \$ 24	Other	22.498,806	13,454,835	844,809	14,299,643	8,199,163
\$ 1,222,041,927 \$ 858,306,107 \$ 116,079,787 \$ 974,395,894 \$	Transportation Total	279,043,814	194,393,314	9,693,125	204,086,439	74,957,375
\$ 1,222,041,927 \$ 858,306,107 \$ 116,079,787 \$ 974,385,894 \$						
◆ 101000100 ◆ 101100100	Grand Total	\$ 1,222,041,927 \$	858,306,107 \$	116,079,787 \$	974,385,894 \$	247,656,034

\* Note: Some prior year amounts were reclassed to reflect proper classification



#### City of Norfolk, Virginia Financial Trends Info

inancial Trends Information
Schedule 1
Net Position by Category
Last Ten Fiscal Years
(Amounts in thousands)

					Fisca	l Year				
Governmental activities:	2004	2005	2006	2007	2008	2009	2010	2011	2012 restated	2013
Net investment in capital assets Restricted Unrestricted	\$ 411,993 55,786 86,959	\$ 403,577 6,788 91,869	\$ 391,392 6,605 96,705	\$ 332,988 6,731 127,479	\$ 325,173 6,890 90,917	\$ 252,128 64,397 63,013	\$ 155,954 120,974 76,365	\$ 324,576 6,744 5,347	\$ 295,206 11,081 25,832	\$ 323,564 11,111 22,593
Subtotal governmental activities net position	554,738	502,234	494,702	467,198	422,980	379,538	353,293	336,667	332,119	357,268
Business-type activities:  Net investment in capital assets Restricted Unrestricted	223,018 36,041 20,293	237,044 - 48.563	259,198 - 43,383	268,503 2,526 34,373	241,203 2,506 72,387	237,307 39,306 43,921	229,693 40,056 63,316	267,107 12,928 62,458	270,913 12,928 72,063	279,587 13,245 78.631
Subtotal business-type activities net position	279,352	285,607	302,581	305,402	316,096	320,534	333,065	342,493	355,904	371,463
Primary government: Net investment in capital assets Restricted Unrestricted	635,011 91,827 107,252	640,621 6,788 140,432	650,590 6,605 140,088	601,491 9,257 161,852	566,376 9,396 163,304	489,435 103,703 106,934	385,647 161,030 139,681	591,683 19,672 67,805	566,119 24,009 97,895	603,151 24,356 101,224
Total primary government net position	\$ 834,090	\$ 787,841	\$ 797,283	\$ 772,600	\$ 739,076	\$ 700,072	\$ 686,358	\$ 679,160	\$ 688,023	\$ 728,731

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Sources: Unless otherwise noted, the information in these statistical schedules is from the comprehensive annual financial reports for the relevant years. The City implemented GASB 34 in 2002; schedules presenting government wide information includes information beginning in that year.

Revenue Capacity Information – These schedules provide information on the City's ability to generate revenue, specifically property tax revenue (the major source of revenue for governmental activities).

<u>Debt Capacity Information</u> – These schedules provide information on the City's outstanding debt, debt limitations and the ability to leverage and pay future debt.

Demographic and Economic Information – These schedules provide information about the environment in which the City operates.

Operating Information – These schedules provide operating information related to the City's infrastructure, assets and services provided by function.

Einancial Trends Information – These scheckules provide information on the City's net assets, changes to net assets and fund balance for assessing the changes in financial position over time.

This section of the City of Norfolk's comprehensive annual financial report provides detailed historical and economic information for users of the financial statements, notes to the financial statements, and required supplementary information for the purpose of assessing and evaluating the City's economic condition.

STATISTICAL SECTION

CITY OF NORFOLK, VIRGINIA COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2013

#### City of Norfolk, Virginia Financial Trends Information Schedule 2-1 Changes in Net Position Last Ten Fiscal Years (Amounts in thousands)

					Fisca	l Year				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Assets Governmental Activities: Taxes:										
Real estate and personal property	\$ 181,446	\$ 193,156	\$ 217.787	\$ 241.315	\$ 240,488	\$ 260.640	\$ 256.339	\$ 255.530	\$ 245,439	\$ 246.345
Consumption utility	- 101,110	43.387	43.337	42.586	46.582	44.142	44.053	48.360	43,588	43.211
Sales and use	-	29.497	30.652	32,402	31.791	29.484	28,249	28.411	27.599	29.707
Restaurant food		26,669	27.277	28,578	28.758	28.079	27,292	24.094	30,300	30.818
Business licenses	-	22.015	24,412	25,268	26.343	27.692	26,009	25.849	28,667	29.301
Cigarette	-	6,948	6,819	6,957	7,577	7,333	7,176	7,161	8,097	7,926
Motor vehicle licenses	-	2,605	3,576	3,529	3,498	4,005	4,308	4,313	4,318	4,210
Franchise, admission, recordation and other miscellaneous local										
taxes		19.356	21.544	19.800	18.025	17.192	16.528	15.698	18,665	18.124
Other *	140.675	-	-	-	-		-	-	-	-
Interest and investment earnings	2,377	4,916	7,306	6,536	5,307	2,789	892	1,065	916	563
Grants and contributions not restricted to specific programs	77.601	68.219	68.133	66.524	69.352	60.513	32.892	32.642	32.726	33.539
Miscellaneous	18.504	8.496	15.851	4.845	11.881	9,600	5,637	5.901	4.653	11.501
Gain on disposal of assets	-	-	3,249	65	62	-	-,	-,	-	1.734
Capital contributions Norfolk Public Schools	-	-	-	-		-	40.387	11.085	-	-
Transfers between governmental and business-type activities	10,000	10,000	11,868	10,988	10,212	10,215	13,054	10,052	10,087	10,114
Total governmental activities	430,603	435,264	481,811	489,393	499,876	501,684	502,816	470,161	455,055	467,093
Business-type activities:										
Interest and investment earnings	609	864	3,161	2,739	3,046	925	618	511	314	234
Grants and contributions not restricted to specific programs	-	-	-	333	-	-	148	557	371	1,626
Unrealized gain (loss) on investments	(640)	-	-	-	-	-	-	-	-	-
Miscellaneous	4,624	3,657	3,911	3,554	3,088	2,850	3,432	3,431	3,951	4,042
Gain (Loss) on disposal of assets	-	(852)	-	(6)	-	-	2,744	(157)	26	9
Transfers between governmental and business-type activities	(10,000)	(10,000)	(11,868)	(10,988)	(10,212)	(10,215)	(13,054)	(10,052)	(10,087)	(10,114)
Total business-type activities	(5,407)	(6,331)	(4,796)	(4,368)	(4,078)	(6,440)	(6,112)	(5,710)	(5,425)	(4,203)
Total primary governmental activities	425,196	428,933	477,015	485,025	495,798	495,244	496,704	464,451	449,630	462,890
Change in Net Position										
Governmental activities	(24,368)	(43,633)	13,290	(27,504)	(44,218)	(43,442)	(28,095)	(16,626)	(9,521)	25,150
Business-type activities	7,057	6,255	16,973	13,343	10,693	4,438	12,530	9,428	13,412	15,559
Total Primary Government changes in net position	\$ (17,311)	\$ (37,378)	\$ 30,263	\$ (14,161)	\$ (33,525)	\$ (39,004)	\$ (15,565)	\$ (7,198)	\$ 3,891	\$ 40,709

#### Note

1. \*All taxes listed except real estate taxes were reported as "other" in the CAFR prior to fiscal year 2005.

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#### (UNAUDITED)

City of Norfolk, Virginia Financial Trends Information Schedule 2 Changes in Net Position Last Ten Fiscal Years (Amounts in thousands)

					Fiscal	Year				
-	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 551	\$ 775	\$ 1,230	\$ 2,450	\$ 2,169	\$ 1,800	\$ 13,156	\$ 18,630	\$ 9,441	\$ 9,489
Judicial administration	402	498	200	778	931	935	3,501	3,629	3,690	3,717
Public safety	6.727	11.608	13.041	2,708	2.307	2.797	5.627	7.942	8.424	10.154
Public works	16.829	9.081	10.121	24.181	27.156	26.999	35,451	36.890	50.597	38.320
Health and public assistance	154	130	134	101	166	134	83	82	50	5.349
Culture and recreation	6.668	7.034	6.198	6.126	6.710	6,232	9.224	10.101	9.751	10,297
Community development	11	5	1,063	907	760	1,539	2.259	1.479	1.807	2.368
Capital grant contributions			.,	-	-	16,933	7.175	.,	765	15.000
Operating grants and contributions	105.466	116.399	116.827	115,779	112.960	112,419	127.665	116.648	119.353	131,719
operating grants and contributions	100,400	110,000	110,021	110,110	112,000	112,410	121,000	110,040	110,000	101,710
Total governmental activities program										
revenue	136.808	145.530	148.814	153.030	153.159	169.788	204,141	195.401	203.878	226.413
	100,000	140,000	140,014	100,000	100,100	100,700	204,141	100,401	200,010	220,410
Business-type activities:										
Charges for Services										
Water utility	60,964	61,002	74,218	69,816	74,240	74,454	78,983	80,573	78,148	76,584
Wastewater utility	18,633	21,329	22,375	22,314	24,917	23,125	23,815	24,362	24,798	25,469
Parking facilities	21,354	21,059	20,911	21,599	20,425	20,048	18,785	19,682	19,452	19,162
Capital grants and contributions	205	-	78	731	219	504	366	130	187	-
Total business-type activities program										
revenues	101,156	103,390	117,582	114,460	119,801	118,131	121,949	124,747	122,585	121,215
Total primary government program										
revenues	237.964	248.920	266.396	267.490	272.960	287.919	326.090	320.148	326,463	347.628
Expenses										
Governmental activities:										
General government	86.081	74.344	94.763	113,279	113.142	111.629	112.874	103.550	109.188	119.764
Judicial administration	36,635	40.319	42.494	46.944	48.593	52,209	52.020	49.980	51.102	51.654
Public safety	99.975	107,531	106.705	111.803	126,609	120.703	130.263	129.721	129,138	125.270
Public works	124.833	144.438	109,907	119,176	118.888	134.274	132,176	101.137	91.542	71.324
Health and public assistance	77.668	84.173	91.443	93.775	95.234	93,495	91.923	82.368	75.428	90.993
Culture and recreation	42.495	46.267	44,933	52,965	56.890	63,495	73.342	64,352	63,499	56.039
Community development	10.471	16.974	14.930	14.772	15.345	10.867	15.429	18.638	17.223	16.158
Education Education	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,512	109.287
	17.461						26.014		26.822	27.867
Interest on long-term debt		18,516	19,565	19,618	21,457	23,788	26,014	27,931	26,822	
Intergovernmental	6,140									
Total government activities expenses:	591.779	624.427	617.335	669.927	697.253	714.914	735.052	682.188	668.454	668.356
Total government delivates expenses.	001,170	024,427	017,000	000,027	007,200	714,014	700,002	002,100	000,404	000,000
Business-type activities:										
Water utility	60.069	60,207	62.009	60.511	64,877	66,990	64,316	67.852	64,473	60.927
Wastewater utility	11.754	11,957	15.448	17,377	18,614	21.227	18.983	19,707	18,806	19.967
Parking facilities	16.869	18,640	18.356	18.861	21,539	19.036	20.008	22.050	20,469	20.559
r arking racinities	10,000	10,010	10,000	10,001	21,000	10,000	20,000	22,000	20,400	20,000
Total business-type activities expenses	88.692	90.804	95,813	96.749	105,030	107,253	103.307	109,609	103,748	101,453
Total business type delivines expenses	00,002	50,004	55,515	50,140	100,000	107,200	100,007	100,000	100,740	101,400
Total primary government expenses	680,471	715,231	713,148	766,676	802,283	822,167	838,359	791,797	772,202	769,809
Net (Expense) Revenue										
Governmental activities	(454,971)	(478,897)	(468,521)	(516,897)	(544,094)	(545,126)	(530,911)	(486,787)	(464,576)	(441,943)
Business-type activities	12,464	12,586	21,769	17,711	14,771	10,878	18,642	15,138	18,837	19,762
Total primary government net										· · · · · · · · · · · · · · · · · · ·
expense	S (442.507)	\$ (466.311)	\$ (446.752)	S (499.186)	\$ (529.323)	\$ (534,248)	\$ (512,269)	S (471.649)	\$ (445,739)	\$ (422.181)
capation	+ (++2,007)	+ (+00,011)	+ (++0,702)	+ (400,100)	+ (020,020)	+ (004,240)	+ (012,200)	+ (+11,048)	+ (++0,700)	+ (+LL,101)

#### City of Norfolk, Virginia Financial Trends Information Schedule 4 Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years (Amounts in Thousands)

					Fisc	al Year				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
General property taxes	\$ 178,361	\$ 193,293	\$ 211,788	\$ 235,399	\$ 241,290	\$ 252,003	\$ 257,055	\$ 258,004	\$ 252,917	\$ 246,359
Other local taxes	2,005	2,006	157,616	159,119	162,573	157,927	153,615	153,886	161,234	163,297
Licenses and permits	193,293	211,788	4,088	4,071	4,055	4,012	3,526	3,691	3,574	4,098
Fines and forfeitures	150,477	157,616	1,461	1,605	1,317	1,260	1,164	1,298	1,108	1,102
Use of money and property Charges for services	3,542 1,763	4,088 1.461	10,498 32,772	11,105 37.071	10,560 40,159	8,332 40,345	6,746 50.540	7,169 47.955	6,695 47.859	6,539 56.077
Miscellaneous	10,232	10,498	33,494	11.691	17,923	12,911	18.080	14,850	11,643	26,178
Recovered costs	29,129	32,772	12.667	8,408	8.622	8.952	9.503	10.723	10.312	11.396
Intergovernmental	18,951	33,494	149,757	156,637	156,862	149,774	152,619	149,489	161,572	161,148
Total Revenues	587,753	647,016	614,141	625,106	643,361	635,516	652,848	647,065	656,914	676,194
Expenditures:										
Current										
General government	76,127	67,434 38,110	92,062 41,795	102,031 45,173	110,974 47.331	102,426 50,347	97,061 48.726	80,855 47,535	100,504 48,233	112,804 50,920
Judicial administration Public safety	35,603 94,979	102.278	105.634	108.565	116,208	118.073	115.488	115.975	116.296	117.427
Public works	80.613	64,497	46,959	49.161	60.370	56.146	59.574	70.124	62.330	54.427
Health and public assistance	76,221	83,451	91,535	93,397	95,159	91,648	89,682	79,757	74,331	88,413
Culture and recreation	40,081	40,290	42,995	46,397	51,071	52,248	51,708	45,862	44,529	47,153
Community development	8,048	12,716	13,552	11,158	10,745	9,899	10,851	16,565	15,142	15,128
General Services Education	00 000	04.005	00 505	07 505	101.095	104.511	101 011	404 544	404 540	400 207
Debt Service:	90,020	91,865	92,595	97,595	101,095	104,511	101,011	104,511	104,512	109,287
Principal retirement	32.731	47.407	37.660	35.872	40.260	48.092	46.052	50.865	57.683	50.559
Interest and other charges	16,820	18,061	18,802	18,917	20,468	23,666	23,782	29,675	27,360	27,668
Intergovernmental	6,140		-	-		-	-		-	-
Capital outlay	45,026	85,144	91,632	94,595	114,007	104,892	99,210	76,534	98,892	116,580
Total Expenditures	602,409	651,253	675,221	702,861	767,688	761,948	743,145	718,258	749,812	790,366
(Deficiency) of revenues (under) expenditures	(14,656)	(4,237)	(61,080)	(77,755)	(124,327)	(126,432)	(90,297)	(71,193)	(92,898)	(114,172)
Other Financing Sources (Uses):										
Contingent liability - settlement	-	-	-	-	-	-	-	-	-	-
Proceeds of refunding bonds	83,219	30,389	-	15,480	-	16,000	-	84,136	74,859	-
Proceeds of capital leases	4,430	4,702	4,828							-
Proceeds of debt (general obligation bonds and notes) Payment to refunded bonds escrow agent	69,685 (83,219)	70,840 (30,389)		121,705 (15,480)	145,663	55,280 (16,000)	156,208	2,821 (84,136)	109,835 (74,859)	-
Premium on bonds issued	389	2.259		2.070	5.785	1.707	3.633	505	15.311	
Miscellaneous	(7)	2,200	(122)	66	62	- 1,707	- 0,000	-	-	
Proceeds from sale or disposal of fixed assets	1,062	-	`- '	-	-	-	-	-	2,700	1,966
Operating transfers in	75,587	82,354	97,185	89,254	109,901	105,641	104,007	104,873	107,136	112,121
Operating transfers (out)	(65,587)	(72,354)	(86,142)	(78,176)	(99,653)	(95,425)	(90,953)	(95,332)	(97,899)	(102,006)
Total other financing sources (uses)	85,559	87,801	15,749	134,919	161,758	67,203	172,895	12,867	137,083	12,081
Net change in fund balances	\$ 70,903	\$ 83,564	\$ (45,331)	\$ 57,164	\$ 37,431	\$ (59,229)	\$ 82,598	\$ (58,326)	\$ 44,185	\$ (102,091)
Debt service as a percentage of noncapital expenditures	8.89%	11.56%	9.67%	9.01%	9.13%	10.40%	9.69%	12.19%	12.27%	11.57%

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#### (UNAUDITED)

#### City of Norfolk, Virginia Financial Trends Information Schedule 3 Fund Balances, Governmental Funds Last Ten Fiscal Years (Amounts in Thousands)

		Fiscal Year																	
	200	14	2005		2006		2007		2008		2009		2010		2011		2012		2013
General fund:																			
Nonspendable	\$	-	\$		\$ -	\$	-	\$	-	\$	-	\$	-	\$	5	\$	-	\$	-
Restricted		-			-		-		-		-		-		395		330		300
Committed		-			-		-		-		-		-		1,899		3,000		3,000
Assigned		-			-		-		-		-		-		38,014		34,839		33,919
Unassigned		-			-		-		-		-		-		55,968		54,338		54,055
Reserved*	8	3,152	14,	72	16,057		17,223		11,669		7,842		8,296		-		-		-
Unreserved*	53	3,948	54,0	107	66,619		71,056		56,302	_	50,784		53,840	_		_	-	_	-
Total general fund	62	2,100	68,	79	82,676	_	88,279		67,971		58,626		62,136		96,281	_	92,507		91,274
Capital projects fund:																			
Nonspendable		-			_						_				-		-		
Restricted		-			_						_				41.063		95.053		
Committed		-			_						_				11.978		14.376		13,637
Assigned		-			_						_				26,307		15,345		7,339
Unassigned		-			_						_						,		.,
Reserved*	80	0.034	82,3	73	20,885		48,894		57,186		50,987		60,696		-		-		
Unreserved*		1,132	3,3				15,424		64,504		25,939		86,260		-		-		-
Total capital projects fund	94	1,166	85,7	67	20,885		64,318		121,690		76,926		146,956		79,348		124,774		20,976
All Other governmental funds:																			
Nonspendable		-			_						_				22		23		24
Restricted		-			_						_				2.621		9.474		10.811
Committed		-			-		-		-		-		-		11.259		3.246		2.454
Assigned		-			-				-		-		-		9.877		13,569		20,708
Unassigned		-			-		-		-		-		-		-		-		
Reserved*	10	0,509	27,	61	19,075		20,123		30,716		27,049		34,634		-		-		-
Unreserved*	14	1,058	3,9	92	17,131		24,211		13,987	_	12,535	_	14,008	_		_		_	-
Total Other governmental funds	24	1,567	31,	53	36,206		44,334		44,703		39,584		48,642		23,779		26,312		33,997
Total fund balance, governmental funds	\$ 180	0,833	\$ 185,0	199	\$ 139,767	\$	196,931	\$	234,364	\$	175,136	\$	257,734	\$	199,408	\$	243,593	\$	146,247

<sup>\*</sup>The City implemented GASB Statement No. 54 during fiscal year 2011. Prior year amounts have not been restated for the implementation of GASB 54.

City of Norfolk, Virginia Financial Throds Information Schedule 6 Total Revenue by Source, Governmental Funds Last Ten Fiscal Vears (Amounts in Thousands)

Totals	553,296 568,620	614,141 625,106	643,451	635,516	652,848	647,065	656,914	676,194	22.2%
_	↔				_	_			<b>,</b> o
Inter- Governmental Revenues	160,118	149,757	156,862	149,774	152,619	149,489	161,572	161,148	%9:0
g a	69								
Recovered Costs	\$ 12,297 14,188	12,667 8,408	8,622	8,952	9,503	10,723	10,312	11,396	-7.3%
s	e –	4 ←	8	_	0	0	8	00	%
Miscellaneous	17,339	33,49	17,92	12,91	18,08	14,85	11,64	26,17	51.0%
-	01.00	a	_				_		×°
Charges for Services	31,342	32,772	40,158	40,34	50,540	47,955	47,859	56,077	78.9%
	↔								
Use of Joney and Property	8,333	10,498	10,650	8,332	6,746	7,169	6,694	6,539	-21.5%
-	69			_	_	_	_		vo.
Fines and Forfeitures	1,627	1,461	1,317	1,260	1,164	1,298	1,108	1,102	-32.3%
	4 0	m —	ıO	a	0)	_	ıo	m	%
Licenses and Permits	3,204	4,08	4,05	4,01	3,52	3,69	3,57	4,09	27.9%
_	↔								
Other Local Taxes	140,675 150,477	157,616 159,119	162,573	157,926	153,615	153,886	161,234	163,297	16.1%
	↔								
General Property Taxes	\$ 178,361 193,293	211,788	241,290	252,004	257,055	258,004	252,917	246,359	38.1%
Fiscal Year	2004	2006	2008	2009	2010	2011	2012	2013	Change 2004-2013

City of Norfolk, Virginia
Other Local Tax Revenues by Source, Governmental Funds
Schedule 7
Last Ten Fiscal Years
(Amounts in Thousands)

20,395 27,491 21,543 19,799 17,192 16,528 16,528 16,490 18,665 3,456 2,605 3,576 3,529 3,498 4,005 4,308 4,318 4,318 4,318 21.8% Motor Vehicle 7,639 6,948 6,948 6,957 7,577 7,176 7,161 8,097 3.8% 20,279 22,015 24,412 25,268 26,343 27,692 26,009 25,849 28,667 29,301 44.5% Restaurant Business Food License Taxes Taxes 21,808 22,550 27,277 28,578 28,758 28,078 27,292 27,292 28,474 30,300 30,300 27,867 29,497 30,652 32,402 31,791 29,484 28,249 28,411 27,599 29,707 %9.9 Consumer's Utility Taxes 10.1% 39,231 39,371 42,586 46,582 44,142 44,053 43,188 43,588 69 2004 2005 2006 2007 2008 2009 2011 2012

16.1%

1. This table presents additional details on other local taxes presented in the Table above.

Note:

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(UNAUDITED)

City of Norfolk, Virginia Financial Trends Information Schedule 5 Program Revenues by Function Last Ten Fiscal Years (Amounts in thousands)

			(		,					
					Fisca	al Year				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Governmental Activities:										
General government	\$ 15,945	\$ 25,544	\$ 24,802	\$ 16,614	\$ 17,707	\$ 16,042	\$ 19,736	\$ 21,795	\$ 10,466	\$ 10,833
Judicial administration	17,960	19,423	19,605	27,904	28,707	23,173	26,461	27,069	27,880	29,479
Public safety	12,832	19,822	20,674	8,137	5,244	11,036	7,459	12,335	14,217	15,980
Public works	40,783	28,440	30,438	44,769	47,407	48,156	55,542	61,552	77,436	68,326
Health and public assistance	36,733	39,064	39,930	42,261	40,567	41,695	62,585	52,280	51,654	62,657
Culture and recreation	10,221	9,956	9,603	9,655	10,359	9,148	23,976	10,330	11,573	26,284
Community development	2,334	3,281	3,762	3,690	3,168	20,538	7,532	10,040	8,538	10,266
Education	-	-	-	-	-	-	-	-	-	-
Interest on Long-term debt							849		2,115	2,587
Subtotal governmental activities program revenues	136,808	145,530	148,814	153,030	153,159	169,788	204,140	195,401	203,879	226,412
Business-type activities:										
Water utility	61,126	61,002	74,277	70,411	74,416	74,958	79,349	80,703	78,335	76,585
Wastewater utility	18,676	21,329	22,394	22,450	24,960	23,125	23,815	24,362	24,798	25,469
Parking facilities	21,354	21,059	20,911	21,599	20,425	20,048	18,785	19,682	19,452	19,162
Subtotal business-type activities program revenues	101,156	103,390	117,582	114,460	119,801	118,131	121,949	124,747	122,585	121,216
Total primary government program revenues	\$ 237,964	\$ 248,920	\$ 266,396	\$ 267,490	\$ 272,960	\$ 287,919	\$ 326,089	\$ 320,148	\$ 326,464	\$ 347,628

## City of Norfolk, Virginia Revenee Capacity Information Schedule 1 Assessed Valuations and Estimated Actual Values of Taxable Property Last Ten Veaus

1. Real property and personal property includes both general and public service corporations.

2. Other property includes machinery and tools, mobile homes, airplanes and boats.

Estimated actual taxable property values are based on data supplied by the City's Commissioner of the Revenue and the City Assessor.

		City or Revenue Dire	ity of Norfolk, Virginia snue Capacity Informa Schedule 2 Direct Property Rates Last Ten Years	City of Norfolk, Virginia Revenue Capacity Information Schedule 2 Direct Property Rates Last Ten Years	tion					
Property tax rate per \$100 of assessed value:	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real property Downtown improvement district	\$ 1.40	\$ 1.40	\$ 1.35	\$ 1.27	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11
Personal property	4.00	4.00	4.00	4.00	4.25	4.25	4.25	4.33	4.33	4.33
Machinery and tools Mobile homes	1.40	1.40	1.35	1.27	1.11	1.11	1.11	1.11	1.11	1.11
Airplanes	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Boats (pleasure)	0.01	0.01	0.01	0.01	0.50	0.50	0.50	0.50	0.50	0.50
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Recreational vehicles	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Disabled veterans	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total direct tax rate	1.62	1.63	1.55	1.45	1.25	1.23	1.19	1.19	1.21	1.22
Assessed value of real property as a percent of fair market value: As determined by the City Assessor	100%	100%	100%	100%	100%	100%	%96	100%	100%	%86
As determined by the Commonwealth's Department of Taxation	%98	%59	%92	%92	83%	%96	N/A	N/A	Ν	N/A
Notes:										

Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside of any county boundaries.

The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2004 through 2013.

3. The most recent Virginia Assessment/Sales ratio study is for 2013

The total direct tax rate is calculated using a weighted average formula that combines real, personal and other
property using the original property tax levy and total taxable property assessed value.

N/A - Not available

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#### (UNAUDITED)

City of Norfolk, Virginia Revenue Capacity Information Schedule 3 Principal Property Taxpayers Current Year and Nine Years Ago

2013

2004

Percentage of Total	Assessed Value	1.60%	0.88%	0.71%	0.62%	0.53%	0.47%	0.39%	0.36%	0.36%	0.32%					6.24%
	Rank	-	2	3	4	2	9	7	∞	6	10					
Real Property Taxable	Assessed Value	\$ 292,679,729	160,697,300	130,136,689	114,436,112	97,755,300	86,978,700	70,699,085	66,624,400	65,577,400	58,279,300					\$ 1,143,864,015
Percentage of Total	Assessed Value	1.71%	1.52%	0.70%	1.80%			0.37%			%69.0	0.52%	%69:0	0.65%	0.57%	9.23%
	Rank	2	ო	4	_			10			9	6	2	7	œ	
Real Property Taxable	Assessed Value	171,710,644	152,762,300	69,757,900	180,911,591			37,482,438			69,467,700	52,428,800	69,658,599	65,183,800	56,803,929	\$ 926,167,701
	Taxpayer	Dominion Virginia Power MacArthur Shopping Center	LLC (Taubman Co.)	Norroik western Kaliway Company	Verizon Virginia, Inc.	Old Dominion University Real Estate Foundation	Norfolk Southern	Virginia Natural Gas, Inc.	Dominion Enterprises	Wells Fargo Building Military Circle Ltd.	Partnership	Cox Virginia Telecom	Bank of America	Ford Motor Company	New Life Tower	Total

\$ 18,319,948,478

\$ 10,029,638,801

Total Assessed Value

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Note:

1. Information obtained from the City's Real Estate Assessor's Office.

## City of Norfolk, Virginia Revenue Capacity Information Schedule 4 Property Tax Levy and Collections by Tax Year Last Ten Years (in thousands)

Percentage of Total Collections	Collections to Tax Levy (2)	%66.66	86.92%	99.95%	99.93%	98.99%	99.12%	86.03%	98.84%	98.73%	94.09%
Total	Collections	166,432	183,353	202,814	230,076	241,159	250,158	255,823	251,408	244,386	229,872
Delinquent	Collections	\$ 1,332 \$	3,005	5,145	10,083	20,906	16,433	16,631	15,890	10,990	
Percentage of Current Collections	Collections to Tax Levy (2)	99.19%	98.33%	97.42%	95.55%	90.41%	92.61%	92.29%	95.60%	94.29%	94.09%
Current	Collections	\$ 165,100	180,348	197,669	219,993	220,253	233,725	239,192	235,518	233,396	229,872
Adjusted	Tax Levy (1)	\$ 166,456	183,406	202,908	230,243	243,614	252,376	258,328	254,350	247,529	244,309
Original	Tax Levy	\$ 191,397	209,202	227,796	254,703	258,016	261,535	258,544	254,756	247,528	244,309
Tax	Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013

Adjusted Tax Levy has been adjusted to reflect residual taxable amount after exonerations and reassessments.
 Information obtained from Office of the City Treasurer.

2. Percentage of Collections to Tax Levy are calculated using the adjusted Tax Levy amounts.

(UNAUDITED)

### City of Norfolk, Virginia Debt Capacity Information Schedule 1 Ratios of Outstanding Debt by Type Last Ten Fiscal Years (Amount in Thousands)

357,022 372,427 364,535 355,841 413,213 410,377	↔
12 13 12 1	446 372,427 239 364,535 227 25,841 2,000 413,213 1,000 1,200 1,208 445,687

N/A - not available

1. Population is detailed in Debt Capacity Information Schedule 2.

City of Norfolk, Virginia Debt Capacity Information Schedule 4 Legal Debt Margin June 30

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total assessed value of real property	\$10,029,638,801	\$10,960,812,421	\$12,691,527,668	\$15,496,207,804	\$18,401,851,069	\$19,395,789,387	\$19,940,273,451	\$19,320,643,495	\$18,676,730,533	\$18,319,948,478
Overall debt -10% of assessed valuation	1,002,963,880	1,096,081,242	1,269,152,767	1,549,620,780	1,840,185,107	1,939,578,939	1,994,027,345	1,932,064,350	1,867,673,053	1,831,994,848
Net debt applicable to debt limitation	489,541,678	514,905,063	478,467,462	579,224,191	697,450,234	738,173,200	889,556,676	829,621,927	877,060,431	818,068,050
Legal Debt Margin - Within 10% Limitation	\$ 513,422,202	\$ 581,176,179	\$ 790,685,305	\$ 970,396,589	\$ 1,142,734,873	\$ 1,201,405,739	\$ 1,104,470,669	\$ 1,102,442,422	\$ 990,612,622	\$ 1,013,926,798
Net debt percentage of 10% limitation	48.81%	46.98%	37.70%	37.38%	37.90%	38.06%	44.61%	42.94%	46.96%	44.65%

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1. Assessed value of taxable property is detailed in Revenue Capacity Schedule 1.

Notes:

2,041 2,205 2,048 2,449 2,947 3,065 3,713 3,450 3,707 N/A

4.12% 3.34% 3.34% 3.34% 3.48% 3.51% 4.14% 4.24%

238,650 239,396 241,941 242,983 243,957 242,803 243,895 245,803

11,814,930 12,835,957 14,663,411 17,619,217 20,578,641 21,308,309 21,777,754 21,383,674 20,529,023 20,0529,023

398,238 436,860 397,306 484,782 590,712 587,743 699,748 651,755 717,407 664,909

88,843 91,085 92,871 107,752 125,363 159,902 201,701 189,782 193,729 184,119

487,081 527,945 490,177 592,534 716,075 747,645 901,449 841,537 911,136 849,028

2004 2005 2006 2007 2008 2010 2011 2011 2011

Net Bonded Debt per Capita

Ratio of Net Bonded Debt To Assessed Value

Gross Bonded Debt Payable from Net Bonded Assessed Value
Debt Enterprise Revenue Debt of Taxable Property
(in thousands) (in thousands) (in thousands)

(in thousands)

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Schedule 2 Ratios of General Bonded Debt Total Assessed Value and Bonded Debt Per Capita Last Ten Years

City of Norfolk, Virginia Debt Capacity Information

(UNAUDITED)

2. The source of 2002 through 2009 and 2011 through 2012 population estimates is the Weldon Cooper Center for Public Service, University of Virginia & U.S. Census Bureau. The source for the 2010 population estimate is the U.S. Census Bureau. Data was not available for 2013

N/A - not available

City of Norfolk, Virginia
Debt Capacity Information
Schedule Schedule S
Computation of Direct Bonded Debt
June 30, 2013

\$ Applicable to Covernment (in thousands) 100% \$ 849,028 % Applicable Government 9 Gross Bonded Debt Outstanding (in thousands) \$ 849,028 Jurisdiction Direct: City of Norfolk

Notes:

There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county since they are located outside of any county boundaries.

#### City of Norfolk, Virginia Debt Capacity Schedule 8

#### Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt Last Ten Years to Total General Expenditures

Fiscal Year		Principal on Serial Bonds		Redemption of Other Long-Term Debt		Interest on Serial Bonds		Interest on Other Debt		Total Debt Service		Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2004	\$	32,735,609	s	4.988.796	s	16.781.410	s	494.610	\$	55.000.425	s	490.944.275	11.20%
2005	•	35.752.761	•	5,157,895		17.623.223	•	437.894	Ψ	58.971.773	•	490.923.834	12.01%
2006		37,659,547		5,886,597		18,824,743		379,498		62,750,385		510,999,836	12.28%
2007		35,871,841		3,666,990		18,168,611		338,085		58,045,527		539,491,519	10.76%
2008		40,259,954		5,011,098		18,661,266		235,154		64,167,472		574,581,092	11.17%
2009		47,607,092		1,755,630		22,345,114		86,970		71,794,806		584,533,217	12.28%
2010		45,496,455		1,529,811		22,898,993		4,448		69,929,707		567,371,918	12.33%
2011		49,650,794		-		28,802,303		-		78,453,097		577,669,780	13.58%
2012		55,716,041		-		26,525,905		-		82,241,946		590,849,686	13.92%
2013		50,558,810		-		27,668,004		-		78,226,814		594,180,698	13.17%

#### Notes:

- Total general expenditures include the expenditures of the general fund and debt service fund.
- 2. Total general expenditures are presented using the modified accrual basis of accounting.

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Last Ten Fiscal Years	

			Coverage	2.00	1.92	1.83	1.51	1.70	5.09	2.01	1.92	1.63	1.89	1.77	2.08	2.09
			Total	18,091,718	18,091,636	18,980,180	20,291,043	20,291,059	21,407,960	21,689,821	21,687,200	24,461,343	25,349,680	26,402,844	22,469,363	21,700,777
				s	"	_	_	•	_	_	_	~	_	_	~	
		Debt Service	Interest	13,616,71	13,411,636	14,090,180	14,336,043	14,041,058	14,827,960	14,379,821	14,022,200	16,411,343	15,929,680	16,527,844	11,184,36	14,700,777
				8 0	0	0	0	0	0	0	0	0	0	0	0	0
			Principal	4,475,000	4,680,000	4,890,000	5,955,000	6,250,000	000'085'9	7,310,000	7,665,000	8,050,000	9,420,000	9,875,00	11,285,000	7,000,000
				8		·-		·		·-	·-	_	_	_		~
	ncome	Available for	Debt Service	36,258,078	34,727,097	34,660,206	30,626,645	34,539,486	44,643,395	43,586,186	41,703,496	39,838,179	47,902,279	46,668,691	46,627,695	45,280,518
				S	_	_		_	_		_	_		_	_	
Operating	Expenses	Less Depreciation	& Amortization (2)	\$ 28,198,244	29,732,203	29,021,459	33,740,297	34,643,668	34,144,763	32,427,377	37,026,528	38,182,373	34,567,741	37,068,753	34,667,524	34,810,702
	Revenue	Available for	Debt Service (1)	\$ 64,456,322	64,459,300	63,681,665	64,366,942	69,183,154	78,788,158	76,013,563	78,730,024	78,020,552	82,470,020	83,737,444	81,295,219	80,091,220
		Fiscal	Year	2000	2001	2002	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013

2. Includes operating expenses, less depreciation and amortization.

1. Includes operating revenue, plus interest income not capitalized.

Expe ess Deg Amorti	Operating Expenses S Depreciation nortization (	E (2)	Income Available for Debt Service		Principal		Debt Service Interest		Total	Coverage
11,168,344	m	44	12,954,086	S	425,000	S	•	s	425,000	30.48
11,375		02)	13,481,319		850,000				850,000	15.86
10,860,728		.58	14,834,874		1,225,000				1,225,000	12.11
11,541		26)	14,356,892		1,725,000				1,725,000	8.32

2. Includes operating expenses, less depreciation and amortization.

1. Includes operating revenue, plus interest income not capitalized.

		Coverage	2.43	1.97	2.09	2.01	1.69	1.48	1.29	1.48	1.63	1.54
		Total	5,387,717	5,765,463	5,907,035	6,453,423	6,391,598	6,294,117	6,454,135	6,454,864	6,459,835	6,376,440
			s									
	Debt Service	Interest (3)(4)	\$ 4,232,717	4,540,463	4,147,035	4,628,423	4,456,598	4,254,117	4,084,135	4,009,864	3,894,835	3,821,440
		Principal (3)	1,155,000	1,225,000	1,760,000	1,825,000	1,935,000	2,040,000	2,370,000	2,445,000	2,565,000	2,555,000
Income	Available for	Debt Service	13,110,895 \$	11,345,647	12,329,969	12,988,705	10,783,690	9,298,691	8,298,220	9,565,895	10,526,616	9,834,034
Expenses	Less Depreciation	& Amortization (2)	\$ 8,503,800	9,984,289	9,493,391	9,359,808	10,554,971	10,762,214	10,741,343	10,513,723	9,157,207	9,476,498
Revenue	Available for	Debt Service (1)	\$ 21,614,695	21,329,936	21,823,360	22,348,513	21,338,661	20,060,905	19,039,563	20,079,618	19,683,823	19,310,532
	Fiscal	Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013

2. Includes operating expenses, less depreciation and amortization

evenue Bonds, Series 2000A and 2004A. 4. Reflects actual interest paid on the Variable Rate Parking System

#### City of Norfolk, Virginia Demographic and Economic Information Schedule 2 Ten Largest Employers In Norfolk Primary Metropolitan Statistical Area Current Year and Nine Years Ago

	Ra	nk
Employer	2004	2013
U.S. Department of Defense	1	1
Sentara Healthcare	3	2
Norfolk City School Board	2	3
City of Norfolk	4	4
Old Dominion University, Norfolk	7	5
Children's Hospital of the King's Daughters	8	6
Norshipco	-	7
Eastern Virginia Medical School	-	8
Norfolk State University	9	9
Bank of America	6	10
United States Postal Service	10	
Ford Motor Company	5	
Total Employment	94,385	138,691

#### Note:

- The source of the City's top ten employers is the Virginia Employment Commission.
- 2. The data for 2013 is the quarter ended March 2013, as that is the most current data available.
- The source of the City's total employment is the Bureau of Labor Statistics. The 2013 total employment data was not available therefore 2012 data was used.
- 4. Each of the top 10 employers has 1000+ employees. The actual number of employees for each employer was not available.

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#### (UNAUDITED)

#### City of Norfolk, Virginia **Demographic and Economic Information** Schedule 1 **Population Statistics** Last Ten Calendar Years

							%
Year	Population	Person	al Income (000's)	Per Capita	a Personal Income	Civilian Labor Force Estimates	Unemployed
2003	236,550	\$	6,674,414	\$	27,720	98,485	5.3
2004	238,650		7,054,054		29,152	98,538	5.1
2005	239,396		7,399,230		30,875	96,697	5.0
2006	239,355		7,937,282		32,609	95,812	4.2
2007	241,941		8,292,887		34,375	99,265	4.1
2008	242,983		8,521,652		35,330	100,322	5.3
2009	243,957		8,325,135		34,441	100,849	8.7
2010	242,803		8,567,847		35,271	106,876	9.0
2011	243,985		8.946.520		36,873	107.278	8.4
2012	245,803		9,547,230		38,844	103,838	7.3

- Note:
  1. Population from Weldon Cooper Center for Public Services & U.S. Census Bureau. Population data was not available for 2013.
- 2. Unemployment rate and civilian labor force from the U.S. Bureau of Labor Statistics. Data not available for 2013.
- 3. Personal income and per capita personal income estimates from U.S. Bureau of Economic Analysis. Data not available for 2013.
- 4. All data on an average annual calendar year.

#### City of Norfolk, Virginia Demographic and Economic Information Schedule 4 Annual Employment Average by Industry (in thousands)

					Fiscal \	/ear				
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Goods-Producing Industries:										
Agriculture, forestry, fishing & hunting	***	***	***	***	***	***	***	***	***	***
Mining	***	***	***	***	***	***	***	***	***	***
Construction	5.7	6.1	6.1	6.1	6.2	6.0	4.9	4.8	4.4	4.1
Manufacturing	9.8	9.8	9.6	8.7	7.9	7.3	7.3	6.7	3.2	6.8
Service-Providing Industries:										
Wholesale trade	5.2	5.0	5.0	5.0	5.1	4.6	4.2	4.0	3.3	3.7
Retail trade	14.0	14.2	14.0	14.3	14.6	13.8	13.0	12.9	12.9	12.6
Transportation and warehousing	10.1	9.7	9.9	9.3	9.4	9.5	8.6	8.8	8.8	9.0
Utilities	8.0	0.8	8.0	0.8	0.8	8.0	***	***	***	***
Information	4.0	4.2	4.0	3.5	3.7	3.4	2.8	2.6	2.1	2.9
Finance and insurance	6.9	7.1	6.7	6.0	6.6	6.6	5.7	5.5	3.9	5.3
Real estate and rental and leasing	2.8	2.7	2.8	2.9	2.9	2.7	2.7	2.6	2.3	2.5
Professional and technical services	8.1	10.2	10.1	10.2	10.7	11.3	11.6	11.5	10.2	11.0
Management of companies and enterprises	3.8	3.6	3.7	2.7	2.4	2.5	2.2	2.1	1.0	2.0
Administrative, support, and waste services	7.8	7.5	7.5	7.4	7.4	7.6	6.5	6.7	5.5	6.8
Educational services	14.5	14.7	15.2	15.5	15.6	16.4	16.6	16.4	1.0	16.0
Health care and social assistance	18.9	19.2	19.6	20.1	20.6	21.3	20.8	21.4	20.5	22.4
Arts, entertainment and recreation	2.2	2.2	2.3	2.4	2.4	2.4	2.2	2.2	2.7	2.3
Accommodation and food services	10.7	11.1	10.9	11.1	10.6	10.3	10.2	10.4	10.5	10.9
Public administration	15.1	12.3	12.1	12.2	12.1	13.7	14.1	14.0	14.5	14.4
Other services	4.1	4.2	4.3	4.1	4.0	3.9	3.7	3.8	4.0	4.1
Total (adjusted for rounding)	144.5	144.6	144.6	142.3	143.0	144.1	137.1	136.4	110.8	136.8

- Note:

  1. Labor Market Statistics, Virginia Employment Commission is the source of annual employment averages by industry.
- 2. All information on an average annual calendar year.
- 3. Asterisks indicate non-disclosable data.
- 4. This schedule includes data for the ten year period 2003 2012 as calendar year 2013 data was not available.

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#### (UNAUDITED)

#### City of Norfolk, Virginia Demographic and Economic Information Schedule 3 **New Construction and Property Values**

		Residenti	al			Non-	-Reside	ntial **
_		Constructi	ion		-	С	onstruc	tion
-	Building	Number of	Esti	mated Value	-	Building	Esti	mated Value
Year	Permits	Units	(in	thousands)		Permits	(in	thousands)
2004	506	601	\$	75,801		71	\$	14,658
2005	560	1,191		204,391		80		80,316
2006	531	1,058		133,053		60		165,989
2007	389	491		688,476		55		81,396
2008	277	815		101,212		35		102,714
2009	217	543		36,458		38		138,131
2010	193	554		58,800		35		104,922
2011	221	479		37,298		27		40,073
2012	268	371		39,360		26		116,401
2013	385	948		67,302		28		105,635

- Notes:

  \* The source of residential and nonresidential construction is the City's planning department.
  - \*\* Nonresidential construction includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.

#### City of Norfolk, Virginia Operating Information Schedule 2 Operating Indicators by Function/Program Last Ten Fiscal Years

					Fiscal	Year				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Police:										
Service calls	206,644	206,378	191,037	237,451	258,254	242,139	245,336	241,282	251,099	245,620
Arrests	25,923	22,799	22,235	22,222	24,050	26,583	28,069	27,930	29,080	27,073
Reports filed	34,087	34,167	29,600	31,986	31,220	32,477	31,487	30,507	28,649	28,035
Fire:										
Incidences (fires, EMS)	38,509	39,605	40,337	31,266	41,212	39,714	40,234	40,641	45,350	44,370
Highways and Streets:										
Streets resurfacing (miles)	131	83	77	70	80	66	69	67	139	53
Sanitation:										
Total solid waste collected and disposed (tons)	105,079	104,247	99,131	97,143	93,799	92,333	100,480	84,162	89,106	83,297
Water Utilities:										
Water delivered to water mains (gallons in thousands)	24,822,000	24,723,000	21,721,000	24,326,000	24,150,000	22,974,000	22,666,500	22,810,560	22,039,690	21,532,680
Total water consumption (gallons in thousands)	23,217,169	22,991,359	23,012,112	22,474,000	24,455,000	21,293,000	21,280,000	21,155,000	20,360,972	20,109,000
Percent of unmetered water	6.51%	7.95%	7.13%	7.30%	6.95%	7.31%	6.11%	7.25%	7.62%	6.62%
Average daily delivery (gallons in thousands)	67,820	67,740	68,090	66,650	66,200	62,900	62,100	62,494	60,217	58,994
Maximum daily pumpage (gallons in thousands)	77,960	81,470	83,640	83,600	82,000	79,000	76,400	80,200	76,310	74,640
Minimum daily pumpage (gallons in thousands)	59,340	58,410	57,200	56,200	52,200	52,000	52,200	52,350	50,070	49,890

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#### (UNAUDITED)

#### City of Norfolk, Virginia Operating Information Schedule 1 Full-Time Equivalent (FTE) Positions by Function/Program Last Ten Fiscal Years

					Fiscal `	Year				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Governmental activities:										
General government	396	457	450	477	264	481	438	492	501	461
Judicial administration	25	20	16	17	18	16	14	12	10	13
Public safety										
Police	875	858	839	1,031	887	861	878	891	879	828
Fire	491	507	499	508	508	517	517	510	517	507
Other	84	84	84	-	-	84	83	90	90	77
Public works	389	389	392	379	346	414	440	431	427	395
Health and public assistance	604	513	562	469	598	487	485	532	534	709
Culture and recreational	484	483	406	478	569	558	509	512	501	459
Community development	72	74	70	59	95	75	113	137	142	94
Business-type activities:										
Water utility	251	279	264	261	290	268	269	289	289	266
Wastewater utility	84	91	95	96	103	99	95	103	104	99
Parking facilities	72	77	78	90	88	89	87	85	85	85
Total full-time equivalent positions	3,827	3,832	3,755	3,865	3,766	4,073	4,050	4,103	4,079	3,993

Notes:

<sup>1.</sup> Fiscal years 2004 through 2013's average FTE data obtained from City's human resources information system

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City of Norfolk, Virginia Operating Information Schedule 4 Water System Statistics As of June 30, 2013 (UNAUDITED)

Average Metered Consumption (million gallons per day)

Fiscal Year	Norfolk Retail	Virginia Beach	U.S. Navy	Chesapeake	Total
2009	17.3	33.4	4.2	3.5	58.4
2010	17.6	33.4	4.1	3.2	58.3
2011	17.4	33.7	4.3	2.2	9'29
2012	17.1	32.4	4.0	2.3	55.8
2013	16.8	32.2	4.0	2.5	55.5
Retail Customers	'Averade Annual C	Retail Customers' Average Annual Costs - Norfolk Retail	ie.		
			Average Cost		
Fiscal Year	Revenue	Volume (Mgal <sup>1</sup> )	(\$/Mgal <sup>1</sup> )		
2009	\$ 32,847,000	6,627,000	\$ 4.96		
2010	33,401,000	6,432,000	5.19		
2011	34,472,000	6,362,000	5.42		
2012	33,537,000	6,241,000	5.37		
2013	33,813,000	6,134,000	5.51		
Wholesale Custor	mers' Average Ann	Wholesale Customers' Average Annual Costs - Virginia Beach	a Beach		
			Average Cost		
Fiscal Year	Revenue	Volume (Mgal <sup>1</sup> )	(\$/Mgal <sup>1</sup> )		
2009	\$ 25,257,000	12,344,100	\$ 2.05		
2010	26,742,000	12,189,000	2.19		
2011	28,703,000	12,307,800	2.33		
2012	25,519,000	11,826,000	2.16		
2013	25,968,000	11,739,000	2.21		

Wholesale Customers' Average Annual Costs -U.S. Navv. Including Norfolk and Virginia Beach Facilities Average Cost Volume (Mgal¹) 1,536,000 \$ 1,479,000 1,562,000 1,460,000 1,444,000 Revenue 8,112,000 8,108,000 8,837,000 8,534,000 8,768,000 Fiscal Year 2009 2010 2011 2012 2013

5.28 5.48 5.66 5.85 6.07

Wholesale Customers' Average Annual Costs - Chesapeake Average Çost Volume (Mgal¹)
1,182,000 \$
1,180,000
803,000
840,000
897,500 Revenue 5,860,000 6,048,000 4,299,000 4,691,000 5,099,000 Fiscal Year 2009 2010 2011 2012 2013

(1) "Mgal" means 1,000 gallons

<u>Additional Information:</u>
1) Water Utiliy Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.
1) Water Utiliy Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.
1) Water Utiliy 7, 2013 - June 30, 2014

2) Water Utility Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report. Financial information on the Water Utility Fund is provided in the "Introductory Section" and the "Financial Section" of each respective year's Comprehensive Annual Financial Report.

#### (UNAUDITED)

#### City of Norfolk, Virginia Operating Information Schedule 3

					Schedu											
	Capita	As:	sets and Ir					Fu	nction/Prog	grai	m					
				La	st Ten Fis	ca	I Years									
									Fiscal	Yea	ar					
Function/Program	 2004		2005		2006		2007		2008		2009	2010	2011	2012	201	3
Public Safety:																
Police																
Stations	2		2		3		3		3		3	3	3	3		3
Fire																
Fire stations	15		15		14		14		14		14	14	14	14		14
Education:																
High schools	5		5		5		5		5		5	5	5	5		5
Middle schools	8		9		9		9		9		9	8	8	8		8
Elementary (K - 8 & Pre K - 8)	35		35		35		35		35		35	35	35	34		33
Other educational facilities Libraries	13 10		11 10		11 10		11 10		11 11		9 11	5 11	5 11	6 11		6 11
Public Recreation:	10		10		10		10		- 11		- 11	- 11	- 11	- 11		11
Parks:																
Acreage	589		590		591		587		586		587	587	587	587		587
Regional parks	1		1		1		1		1		2	2	2	2		2
Neighborhood parks	121		121		121		85		85		71	71	71	71		71
Preserves and nature areas	1		1		1		1		1		1	1	1	1		1
Nature education centers	3		3		3		1		1		1	1	1	1		1
Playgrounds	45		45		45		79		123		100	101	101	101		102
Hiking trails (miles)	9		10		11		1		2		2	2	2	2		2
Recreation:																
Acreage	243		243		231		860		868		954	957	957	957		957
Recreational and senior centers	26 4		22 6		22		18 6		19 8		25 6	30 6	30 6	30 6		30 6
Swimming pools Tennis Courts	146		152		152		101		134		148	148	148	142		142
Baseball/softball diamonds	36		36		36		63		99		86	86	86	86		86
Football/soccer fields	18		18		18		47		65		49	49	49	49		49
Field hockey	4		4		4		5		5		3	3	3	3		3
Basketball courts	42		42		42		229		179		204	203	203	201		201
Municipal beaches	3		3		3		3		3		3	3	3	3		3
Municipal Golf courses	1		1		2		3		3		3	3	3	3		3
Public Services:																
Transportation and Engineering:																
Streets (lane miles)	2,013		2,015		2,183		2,193		2,210		2,193	2,188	2,188	2,189		174
Sidewalks (miles)	968 50		968 50		968 50		968 49		968 49		968 49	968	968 50	968		968
Bridges Signalized intersections	294		299		299		283		287		284	50 301	304	50 305		50 304
Street lights	31,694		31,721		29,888		30,200		30,583		30,653	30,717	31,277	31,132		138
Utilities:	31,034		51,721		23,000		30,200		50,505		30,000	50,717	01,211	01,102	51,	100
Water fund capital assets (in thousands)	\$ 429.714	s	424,948	\$	425.289	s	431,655	\$	436,488	\$	437.973	\$ 442.304	\$ 448.407	\$ 470,466	\$ 480.	999
Wastewater fund capital assets (in thousands)	110,360		120,685		134.152		147,020		163,068		177,928	183,974	198,842	214,308	229.	
Total utilities assets (in thousands)	540,074	\$	545,633	\$	559,441	\$		\$	599,556	\$	615,901	\$ 626,278	\$ 647,842	\$ 684,774	\$ 710,	094
Water customer accounts	63,343		64,905		65,548		65,000		65,549		64,433	66,140	64,289	64,440		654
Miles of water main in the system	817		817		825		827		829		832	835	838	824		826
Convention Center:																
Meeting rooms	4		. 7		. 7		8		8		8	8		8		8
Exhibit space (square feet)	58,430		58,430		58,430		58,430		58,430		58,430	58,430	58,430	58,430		430
Meeting/ballroom space (square feet)	5,230		9,700		9,700		9,700		9,700		9,700	9,700	9,700	9,700	9,	700
Parking Facilities: Parking lots/garages	28		28		28		21		23		23	26	25	24		24
Parking lots/garages Parking meters	579		600		660		718		669		614	584	584	756		738
Stormwater Management:	313		000		000		710		009		014	304	304	750		100
Miles of storm sewers	351		351		351		357		357		357	357	357	357		366
	001		001		551		551		557		557	551	551	331		- 50

City of Norfolk, Virginia Operating Information Schedule 5 Wastewater System Statistics As of June 30, 2013

The Wastewater System
The City owns and operates a sanitary sewer system (the "Wastewater System") which collects and conveys wastewater to the regional treatment agency, the Hampton Roads Sanitation District.

242,800 citizens 131.0 pump stations 844.4 miles 66.4 miles Approximate population served Total wastewater pumping stations Miles of gravity wastewater mains Miles of was tewater force mains

### Organization and Management

The Department of Utilities is responsible for the operation of two enterprise funds, the Water Utilities Fund and the Wastewater Utilities Fund. Kristen M. Lentz, P.E. is the Director of Utilities and Eric G. Tucker is the Assistant Director of Utilities. The Department, which is comprised of eight divisions, is organized as follows: Water Production, Water Quality, Wastewater, Water Distribution, Water Accounts, Engineering, Accounting & Budget and the Director's Office.

Rates

Each customer using the Wastewater System is charged at a rate based on the water meter flow unless an effluent meter is used. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Counci. Effective in Fiscal Year 2005, the City Council established a bong-term retail rate plan and starting in 2006, Fiscal Year wastewater rates increase annually by 4.0% and produces the following rates:

Retail Rate	\$3.39 per 100 cubic feet	\$3.53 per 100 cubic feet	4.0% annual increases each July 1
Fiscal Year	2013	2014	Thereafter

#### Largest Users

	Entity	Usage (CCF)
-	Norfolk Redevelopment and Housing Authority	426,351
2	Old Dominion University	139,464
ო	Virginia International Terminals & Norfolk International Termin	139,053
4	S.L. Nusbaum Realty	83,053
u	Norfolk State University	80,508

#### Operating Income

	Fiscal Year 2012 Fiscal Year 201	Fiscal Year 201
otal Operating Revenues	\$ 25,695,602	\$ 25,898,78
otal Operating Expenses	15,927,559	16,941,90
Total Operating Income	\$ 9,768,043	\$ 8,956,88

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#### (UNAUDITED)

City of Norfolk, Virginia Operating Information Schedule 6 Parking System Statistics As of June 30, 2013

Short-term Parking Rates at all City-Owned Facilities, Except the MacArthur Center Garages

Time	Hourly Rates	Time	Hourly Rates
0 to 1 Hour	\$1.00	6 PM to 9 PM/Collect-On-Entry	\$3.00
1 to 2 Hours	2.00	9 PM to 3 AM/Collect-On-Entry	5.00
2 to 3 Hours	3.00	Special Event Rate/Collect-On-Entry	5.00
3 to 4 Hours	5.00		
4 to 5 Hours	7.00		
5 to 6 Hours	9.00		
6 to 7 Hours	10.00		
7 to 8 Hours	11.00		
Maximum Daily Rate (up to 24 Hours)	12.00		
Lost Ticket/Per Day	12.00		
Short-term Parking Rates at the MacArthur Center Garages	hur Center Garages		
Monday - Friday		Saturday & Sunday	ay
\$1.00 for first hour - third hour	d hour	\$1.00 for entry prior to 6 PM	6 PM
\$2.00 for each additional hour until 6 PM	ır until 6 PM	\$2.00 for entry after 6 PM	NPM
\$2.00 for entry after 6 PM	PM.		
Maximum of \$10.00 per 24-hour period	nour period	Maximum of \$10.00 per 24-hour period	hour period

Special Event Rates

The MacArthur Center Garagas, have a collect-on-entry, special event rate of \$5.00 per vehicle. The MacArthur Center Garagas special event fee is \$2.00 per vehicle.

So to per vehicle.

Metered Parking Rates		
Metered Area	General Location	Hourly Rate
	All streets west of St. Paul's Boulevard, City Hall Avenue and south, Waterside Drive and	
Tier 1	north, and all streets east of Boush Street including Boush Street	\$0.35 per 15 minutes
	All streets west of St. Paul's Boulevard and east of Duke Street; north of City Hall Avenue	
Tier 2	and south of Charlotte Street	\$0.25 per 15 minutes
	All remaining downtown areas with meters; generally north of Charlotte to Princess Anne	
Tier 3	Road to east of Llewellyn to west of Monticello	\$0.15 per 15 minutes
Education Lot	Corner of St. Paul's Boulevard and City Hall Avenue	\$0.25 per 15 minutes
		\$0.50 per half hour; \$2.00
Spotswood Lot	Located off Colley Avenue, between Brandon and Spotswood Avenue	maximum four hour limit
ODU Village	161 meters located on 41st, 43rd, 45th, 46th, 47th Street and Monarch Way	\$0.25 per 30 minutes

Monthly Parking Rates at all City-Curned Facilities
Monthly Parking Rates at all City-Curned Facilities
Monthly Rate at 82 was presented per month in outlying lots to \$130.00 for reserved spaces in the core downtown. Nightly monthly parking rates vary from \$20.00 per month to \$23.00 per month.

Parking Fines			
Parking Violation	Fine Schedule	Parking Violation	Fine Schedule
Overtime Parking - Meter	\$15.00	No Parking - This Side	\$25.00
Overtime Parking - Time Zone	30.00	No Stopping Zone	35.00
Overtime Parking - Meter Feeding	25.00	Restricted City Lot	30.00
No Parking	30.00	No/Expired City License	20.00
No Parking - Fire Hydrant	90.00	Handicapped Parking	250.00
No Parking - Cross Walk	35.00	Taxi Stand	35.00
No Parking - Loading Zone	30.00	Blocking Driveway	30.00
No Parking - Here to Corner	30.00	Overnight Parking	25.00
No Parking - Facing Wrong Way	25.00	Parking off of Roadway	35.00
No Parking - Bus Stop	35.00	Blocking Fire Lane	100.00
No Parking - Street Cleaning	35.00		
Parking Fines			
Fiscal Year	Parking Tickets Issued	Revenue	Collection Rate
2009	71,800	\$1,979,005	41%
2010	62,670	2,072,073	81
2011	62,731	2,062,060	82
2012	58,928	2,169,813	87
2013	56,751	1,822,693	85

Additional Information

1) Parking Serilies Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.

1) Parking Serilies Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.

1) Parking Serilies Fund Annual Budget is contained in the City of Norfolk Approved Operating Budget.

2) Parking Facilities Fund Financial Statements are contained in the financial section "Enterprise Funds" of each respective year's Comprehensive Annual Financial Report.

3) Financial information on the Parking Facilities Fund is provided in the "Introductory Section" and the "Financial Section" of each respective year's Comprehensive Annual Financial Report.

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## OTHER REPORTS OF INDEPENDENT AUDITORS





## COMPLIANCE SECTION





KPMG LLP Suite 1900 440 Monticello Avenue Norfolk, VA 23510

# Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Honorable Members of City Council City of Norfolk, Virginia:

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specifications for Audits of Counties, Cities, and Towns (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report theroon dated December 23, 2013.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in the Specifications, Chapters Two and Three. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards. However, the results of our tests disclosed instances of noncompliance or other matters that are required to be reported under the Specifications and which are described in the accompanying schedule of findings and responses as items 2013-010 through material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

### Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### Purpose of this Report

and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the Specifications in considering the City's internal control and The purpose of this report is solely to describe the scope of our testing of internal control and compliance compliance. Accordingly, this communication is not suitable for any other purpose.



Norfolk, Virginia

December 23, 2013



KPMG LLP Suite 1900 440 Monticello Avenue Norfolk, VA 23510

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

The Honorable Members of City Council

City of Norfolk, Virginia:

## Report on Compliance for Each Major Federal Program

We have audited the City of Norfolk's (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditors' Responsibility

based on our audit of the types of compliance requirements referred to above. We conducted our audit of standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, Our responsibility is to express an opinion on compliance for each of the City's major federal programs compliance in accordance with auditing standards generally accepted in the United States of America; the and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

## Basis for Qualified Opinion on Disaster Grants - Public Assistance

the reporting requirements regarding CFDA 97.036 Disaster Grants – Public Assistance as described in finding number 2013-008. Compliance with such reporting requirements is necessary, in our opinion, for As described in the accompanying schedule of findings and questioned costs, the City did not comply with the City to comply with the requirements applicable to that program.

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Qualified Opinion on Disaster Grants - Public Assistance

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 97.036 Disaster Grants – Public Assistance for the year angular have 20 2013

## Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2013.

#### Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as the following items:

Finding #	CFDA#	Program (or Cluster) Name	Compliance Requirement
2013-003	93.558	Temporary Assistance for Needy Families	Eligibility
2013-004	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring
2013-005	16.804 (ARRA)	Justice Assistance Grant	Reporting
2013-005	16.710 (ARRA)	Public Safety Partnership and Community Policing Grants	Reporting
2013-006	93.959	Substance Abuse Prevention and Treatment Block Grant	Procurement and Suspension and Debarment
2013-006	84.010, 84.389 (ARRA)	Title 1, Part A	Procurement and Suspension and Debarment
2013 – 006	84.377, 84.388 (ARRA)	School Improvement Grants	Procurement and Suspension and Debarment
2013 - 008	97.036	Disaster Grants - Public Assistance	Reporting
2013-009	20.205 (ARRA)	Highway Planning and Construction	Reporting

Our opinion on each major federal program is not modified with respect to these matters. The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our



audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance is an reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-008 for reporting under the Disaster Grant – Public Assistance, CFDA#20.205 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as the following items to be significant deficiencies:

0	CFDA#	Program (or Cluster) Name	Compliance Requirement
2013-001	93.558	Temporary Assistance for Needy Families	Special Tests and Provisions – Non-Cooperation
2013-002	93.558	Temporary Assistance for Needy Families	Special Tests and Provisions – Refusal to Work
2013-003	93.558	Temporary Assistance for Needy Families	Eligibility
2013-005	16.804 (ARRA)	Justice Assistance Grant	Reporting
2013-005	16.710 (ARRA)	Public Safety Partnership and Community Policing Grants	Reporting
2013-006	93.959	Substance Abuse Prevention and Treatment	Procurement and



Finding # CFDA #	CFDA#	Program (or Cluster) Name	Compliance Requirement
		Block Grant	Suspension and Debarment
2013-006	84.010, 84.389 (ARRA)	Title 1, Part A	Procurement and Suspension and Debarment
2013-006	84.388 (ARRA)	School Improvement Grants	Procurement and Suspension and Debarment
2013-007 93.914	93.914	HIV Emergency Relief Project Grants	Matching, Level of Effort, and Earmarking
2013-009	20.205 (ARRA)	Highway Planning and Construction	Reporting

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the resonness.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

# Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 23, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial expensions as a whole.



Norfolk, Virginia December 23, 2013

### THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### (1) Summary of Auditors' Results

#### Financial Statements

- (a) The type of report issued on the financial statements: Unmodified opinion
- (b) Material weaknesses in internal control were disclosed by the audit of the financial statements: None
- (c) Significant deficiencies in internal control were disclosed by the audit of the financial statements: None
- (d) Noncompliance, which is material to the financial statements: None

#### Federal Awards

- (a) Material weaknesses in internal control over major programs: 2013-008
- (b) Significant deficiencies in internal control over major programs: 2013-001 through 2013-003, 2013-005 through 2013-007, and 2013-009
- (c) The type of report issued on compliance each for major program:

Federal programs	CFDA No.	Opinion
Temporary Assistance for Needy Families	93.558	Unqualified
(TANF)		
State Administrative Matching Grants for the		
Supplemental Nutrition Assistance Program	10.561	Unqualified
Justice Assistance Grant	16.804 (ARRA)	Unqualified
Disaster Grants - Public Assistance	97.036	Qualified
Substance Abuse Prevention and Treatment		
Block Grant	93.959	Unqualified
Capitalization Grants for Clean Water State		
Revolving Funds	66.458	Unqualified
Title I, Part A Cluster	84.010 and 84.389 (ARRA)	Unqualified
School Improvement Grants Cluster	84.377 and 84.388 (ARRA)	Unqualified
Highway Planning and Construction	20.205(ARRA)	Unqualified
HIV Emergency Relief Project Grants	93.914	Unqualified
Public Safety Partnership and Community		
Policing Grants	16.710 (ARRA)	Unqualified

- (d) Any audit findings, which are required to be reported under Section 510(a) of OMB Circular A-133: 2013-003 through 2013-6, 2013-69 and 2013-009.
- (e) Major programs:
- Temporary Assistance for Needy Families (TANF): CFDA No. 93.558

Year ended June 30, 2013

- State Administrative Matching Grants for the Supplemental Nutrition Assistance Program: CFDA No. 10.561
- Justice Assistance Grant: CFDA No. 16.804 (ARRA)
- Disaster Grants Public Assistance: CFDA No. 97.036
- Substance Abuse Prevention and Treatment Block Grant: CFDA No. 93.959
- Capitalization Grants for Clean Water State Revolving Funds: CFDA No. 66.458
- Title I, Part A Cluster: CFDA Nos. 84.010 and 84.389 (ARRA)
- School Improvement Grants Cluster: CFDA Nos. 84.377 and 84.388 (ARRA)
- Highway Planning and Construction: CFDA No. 20.205 (ARRA)
- HIV Emergency Relief Project Grants: CFDA No. 93.914
- Public Safety Partnership and Community Policing Grants: CFDA No. 16.710 (ARRA)
- Dollar threshold used to determine Type A programs: \$3,000,000
- Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: No 9

#### Financial Statement Findings 3

None

### Findings and Questioned Costs Related to Federal Awards 3

Finding# 2013-001: Special Tests and Provisions - Child Support Non-Cooperation

# Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number

Temporary Assistance for Needy Families: CFDA No. 93.558, Program Year 2013, U.S. Department of Health and Human Services (HHS) – Commonwealth of Virginia Department of Social Services, award BEN-10-057-16.

#### Recipient

City of Norfolk

#### Criteria

Enforcement (DCSE) that an individual is not cooperating, the City is required to reduce or terminate In accordance with 45 CFR Section 264.30, once notified by the Virginia Division of Child Support assistance to the individual.

#### Condition Found

In a sample of 80 instances of noncooperation tested, one family received an additional monthly payment after benefits should have been terminated.

### THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### Perspective and Questioned Costs

Out of 80 instances of noncooperation selected for testwork, 1 family received an additional payment of \$240. The total amount sampled was \$21,337. Because the City is the administrator of these local funds and the State provides payments directly to the individuals, there are no questioned costs to the City in

#### Cause and Effect

indicating inconsistencies in the process.

The requirement to stop benefits based on a DCSE referral was not administered in a timely manner,

#### Recommendation

The City should enhance its process to ensure that benefits are terminated timely for all cases referred by the DCSE due to noncooperation.

### Views of Responsible Officials

On the 6th of the month, the Supervisor receives an alert on cases that have not been processed and alerts the worker to process immediately. Supervisors will continue to review 100% of case actions. Program Supervisors, on the 9th of the month, will check the notification system to make sure the case actions have been taken in ADAPT and on the work list. Standard operating procedures have been established to ensure Management agrees with the finding. The TANF and VIEW workers continue to receive refresher training timely and accurate processing of cases. All workers are advised to review the wrap-up menu screens in ADAPT to ensure accurate TANF payments. Workers will establish a claim or create a benefit adjustment on DCSE policy. Notifications are received on the first of the month from the ADAPT notification system. as soon as possible following the discovery of an error.

## Finding# 2013-002: Special Tests and Provisions - Refusal to Work (VIEW)

# Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number

Temporary Assistance for Needy Families: CFDA No. 93.558, Program Year 2012, U.S. Department of Health and Human Services (HHS) - Commonwealth of Virginia Department of Social Services, award BEN-10-057-16.

#### Recipient

City of Norfolk

Year ended June 30, 2013

#### ritoria

In accordance with 45 CFR section 261.14, the City is required to reduce or terminate assistance to the individual once it has been determined that a recipient receiving assistance refuses to work, subject to any good cause or other exemptions established by the State.

#### Condition Found

In our sample of 80 Refusal to Work (VIEW) sanctions tested, one family received an additional two months of TANF benefit payments after assistance should have been terminated and one family did not have a sanction imposed in a timely manner.

### Perspective and Questioned Costs

One out of 80 sanctions selected for testwork received additional payments of \$640. Each sanction selected for testwork represented the last full monthly payment for assistance. The total amount sampled was \$24,246. Another family did not have a sanction imposed in a timely manner, however, no additional payments were maded due to an unrelated sanction on the recipient's account. Because the City is the administrator of these funds and the State provides payments directly to the individuals, there are no questioned costs to the City in relation to this finding.

#### Cause and Effect

The requirement to stop benefit payments based on a sanction was not administered in a timely manner, indicating inconsistencies in the process.

### .

The City should implement a process to ensure that all sanctions are imposed in a timely manner.

### Views of Responsible Officials

Management agrees with the finding. The request to sanction continues to be sent immediately by the VIEW unit to the TANF Benefits Supervisor. The benefit worker sends the Advanced Notice of Proposed Action within three working days. On the 23rd of each month, the VIEW worker checks the profile to make sure the case is discontinued or suspended. If the action was not taken, the Benefit Supervisor follows up to ensure all actions are taken before the end of the month. The Benefit Supervisor will review the cases with a more precise level of detail and more often so that if an error is found, it can be corrected in a timely manner.

### Finding# 2013-003: Eligibility

# Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number

Temporary Assistance for Needy Families: CFDA No. 93.558, Program Year 2012, U.S. Department of Health and Human Services (HHS) – Commonwealth of Virginia Department of Social Services, award BEN-10-057-16.

### THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

#### Recipient

City of Norfolk

#### Criteria

In accordance with the eligibility requirements of the TANF grant, the City is required to maintain sufficient documentation and approval support for the determination of compliance with the eligibility criteria for individuals applying for TANF assistance. Specifically, the TANF Guidance Manual section 20.1. specifies each factor that is required for the individual to be eligible to receive benefits.

#### Condition Found

In a sample of 40 cases tested for eligibility, one family received two months of TANF benefit payments for a total of \$335 before a signed application was received from the applicant. The signature by the applicant evidences the applicant's final approval of the accuracy of the information contained in the application. Another family did not have the completed application to support the criteria above. This family received 5 months of TANF benefit payments in the amount of \$1,015.

In addition, in one out of 80 sample items for the special tests and provisions - noncooperation, an ineligible recipient was receiving benefit payments. The individual selected for noncooperation testwork reapplied for benefits after March 1, 2012 and based on leigibility criteria, was erroneously approved. The family received two months of ineligible payments in the amount of \$5001.

### Perspective and Questioned Costs

Two out of 40 cases selected for eligibility testwork were deemed inappropriately determined. Another case was identified in error during the testing of another compliance requirement. Eligibility is tested on an attribute and case basis and the total population tested is not quantified.

#### Cause and Effect

The City should implement a process to ensure that all eligibility applications are properly reviewed, approved, and maintained. We further recommend that the City increase the frequency and precision of management's review of applications for benefits to ensure errors are detected and resolved in a timely

#### Recommendation

The City should implement a process to ensure that all eligibility applications are properly approved and maintained. We further recommend that the City increase the frequency and precision level of management's review to ensure errors are detected and resolved in a timely manner.

### Views of Responsible Officials

Management agrees with the finding. Individual training on proper procedures and TANF policies have been reinforced with all workers.

Year ended June 30, 2013

### Finding# 2013-004: Subrecipient Monitoring

# Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number

Temporary Assistance for Needy Families: CFDA No. 93.558, Program Year 2012, U.S. Department of Health and Human Services (HHS) – Commonwealth of Virginia Department of Social Services, award BEN-10-057-16.

#### Recipient

City of Norfolk

#### Criteria

In accordance with 2 CFR section 25.110 and appendix A to 2 CFR part 25, the City is required to ensure that all Non-ARRA subrecipients have provided a Dun and Bradstreet Data Universal Number system (DUNS) number as part of their subaward application or, if not with the application, then before any award is made. In accordance with 2 CFR section 25.205, the City may not make an award to an entity until a valid DUNS number is obtained. In accordance with 2 CFR section 25.210, the City can add the DUNS number to an renewal contract if the contract had previously been approved.

#### Condition Found

For one subrecipient tested, management of the TANF grant did not obtain the DUNS number from the subrecipient prior to the approval of the subrecipient's contract renewal for fiscal year 2013.

### Perspective and Questioned Costs

There are no questioned costs associated with the failure to obtain the DUNS number as management was able to subsequently obtain the required information

#### Cause and Effect

Management's controls did not operate effectively to ensure that the City was in compliance with the requirement regarding the acquisition of the DUNS number.

#### Recommendation

We recommend that the City develop procedures and policies to ensure it obtains DUNS numbers for all subrecipients prior to approval of subawards and upon subaward renewals.

### Views of Responsible Officials

Management agrees with the finding. Department management has worked with the City's Purchasing Agent to enhance the existing procurement policy by requiring departments to submit a copy of the applicable federal grant when submitting requisitions and requests for proposals that will utilize federal grant funding. This requirement will alert the Office of Purchasing of all funding requirements mileulating that of obtaining a DUNS numbers prior to approval of the procurement. Additionally, management will ensure that all subvecipients obtain a DUNS number, and will confirm DUNS numbers and active status

### THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### Finding# 2013-005: Reporting

# Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number

- Justice Assistance Grant: CFDA No. 16.804 (ARRA), Program Year 2013, U.S. Department of Justice, award 2009-SB-B9-1941.
- Public Safety Partnership and Community Policing Grants: CFDA No. 16.710 (ARRA), Program Year 2013, U.S. Department of Justice, award 2009RJWX0085.

#### Recipient

City of Norfolk

#### Criteria

In accordance with the American Recovery and Reinvestment Act of 2009, the City of Norfolk is required to accurately complete and submit to FederalReporting.gov, a report under Section 1512, ARRA Funds Received and Expenditures Made, for each quarter no later than the 10th day after the end of each calendar quarter.

#### Condition Found

Justice Assistance Grant: Of the two Section 1512 ARRA reports tested, both reports were inaccurately submitted to FederalReporting gov. In addition our sample of two Section 1512 ARRA reports were found to have been prepared, reviewed, and submitted by the same individual.

Public Safety Partnership and Community Policing Grants: Of the three Section 1512 ARRA reports tested, one report was inaccurately submitted to FederalReporting.gov. In addition, in our sample of three Section 1512 ARRA reports, all three were found to have been prepared, reviewed, and submitted by the same individual.

### Perspective and Questioned Costs

Justice Assistance Grant: Of the two Section 1512 ARRA reports tested, one report overstated expenditures by \$175,619 and one report understated expenditures by \$177,156, for a total net difference of \$1.537.

Public Safety Partnership and Community Policing Grants: The report identified understated expenditures by 861

#### Cause and Effect

The requirement to accurately report ARRA expenditures to the federal government during the quarter was not administered consistently, which led to inaccurate reporting. In addition, the absence of proper segregation of duties increases the risk of reporting errors.

Year ended June 30, 2013

#### ocommondation

We recommend that the City implement a control to ensure that all reports are reviewed by someone other than the preparer prior to their submission to ensure that the reports are completed in an accurate manner.

### Views of Responsible Officials

Management agrees with the finding in that the reports are required to be submitted with accurate information reflecting the activities for the quarter. The City has reviewed the reporting requirements related to Section 1512 ARRA funds and also improved procedures on oversight in order to ensure accuracy of information provided to the federal government.

## Finding# 2013-006: Procurement and Suspension and Debarment

# Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number

- Substance Abuse Prevention and Treatment Block Grant: CFDA No. 93.959, Program Year 2013, U.S. Department of Health and Human Services (HHS) Virginia Department of Behavioral Health and Developmental Services, awarded through a performance contract that did not disclose an award
- Title 1, Part A, CFDA No. 84.010 and 84.389 (ARRA), Program Years 2010, 2011, 2012, and 2013, U.S. Department of Education, Virginia Department of Education, awards 2010-S010A100046, 2011-S010A110046, 2012-S010A120046, and 2013-S010A130046.
- School Improvement Grants, CFDA No. 84.377 and 84.388 (ARRA), Program Year 2013, U.S. Department of Education, Virginia Department of Education, awards 118-S38RA090047 42990 and 118-S377A090047 43040.

#### Recipient

City of Norfolk and the Norfolk Public Schools

#### Criteria

In accordance with 2 CFR part 180, Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principles are suspended or debarred. "Covered Transactions" include those procurement contracts for goods or services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. When a nonfederal entity enters into a suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) (now called System for Award Management "SAM), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

### THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

#### Condition Found

Substance Abuse Prevention and Treatment Block Gram (City of Norfolk): For two out of three vendors sampled, management was unable to provide documentation demonstrating the required review of the vendor's suspension and debarment status prior to awarding the vendor a contract. For one of the two vendors, a suspension and debarment certification was supposed to be included in the bid package received. However, a different document was incorrectly submitted in place of the certification in the final bid package and the omission was not identified or remediated.

Title 1 (Norfolk Public Schools): In a sample of seven vendors tested, management was unable to provide documentation of management's review of suspension and debarment prior to use of vendor's services.

For four of the seven vendors selected for testwork, management utilized a cooperative agreement, under which they purchase goods or services through a procurement process performed by another municipality or school district. For these four instances, management was unable to provide documentation as to its assessment of suspension and debarment prior to use of the vendor.

School Improvement (Norfolk Public Schools): Management utilized a cooperative agreement, under which they purchase goods or services through a procurement process performed by another municipality or school district, for one of four vendors selected for testwork. For this procurement, management was unable to provide documentation as to its assessment of suspension and debarment prior to use of the vendor.

### Perspective and Questioned Costs

There were no questioned costs as none of the vendors noted were identified as being suspended or debarred based on a subsequent review of the System for Award Management.

#### Cause and Effect

Management had not implemented a process for all types of contracts that supported management's determination and verification that a vendor was not suspended or debarred at the time of procurement.

#### Recommendation

The City and Schools should implement a process to verify and document vendors' suspension and debarment through the SAM, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity before entering into the contract with the vendor.

### Views of Responsible Officials

City Officials:

Management agrees with the finding and has remedied the situation for future procurements by including a specific memorandum that asks the buyer to certify that the vendor is neither suspended nor debarred before entering into the contract.

#### School Officials:

Management agrees with the finding and has remedied the condition for future procurements by utilizing SAM.gov for all contracts. A screen shot of the SAM search will be placed in the contract folder as

Year ended June 30, 2013

evidence of the verification. The purchasing department's web page has also been updated to include a link to the SAM site and all buyers have a established login credentials.

## Finding# 2013-007: Matching, Level of Effort, and Earmarking

# Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number

HIV Emergency Relief Grant: CFDA No. 93.914, Program Years March 1, 2012 through February 28, 2013 and March 1, 2013 through February 28, 2014, U.S. Department of Health and Human Services (HHS), awards H89HA00053 and H89HA0053-14-00.

#### Recipient

City of Norfolk

#### Criteria

In accordance with 42 USC 300ff-15(a)(1)(B-C), each political subdivision within the metropolitan area is required to maintain its level of expenditures use for HIV-related services to individuals with HIV disease at a level equal to its level of such expenditures for the preceding fisseal year. Political subdivisions within the Transitional Grant Area (TGA) may not use funds received under the HIV grants to maintain the required level of HIV-related services in accordance with 42 USC 300ff-15(a)(1)(B).

#### ondition

Upon initial inquiry, management was not aware of all Transitional Grant Area costs expensed; therefore, management did not effectively monitor political subdivision spending within the Transitional Grant Area in accordance with the criteria above.

### Perspective and Questioned Costs

There were no questioned costs associated with this finding.

#### Cause and Effect

Ineffective monitoring of political subdivision spending can lead to noncompliance with the requirement to spend an amount that is equal to or exceeds the amount spent on HIV related expenditures in the preceding fiscal year.

#### Recommendation

The City should implement a process to ensure that HIV related expenditures spent by the TGA are effectively monitored during the year to ensure that the compliance requirement is satisfied.

### Views of Responsible Officials

An effort has been made to identify all sources of local expenditures spent by the members of the TGA. In the future, these local costs will be monitored on a periodic basis throughout the year to ensure compliance with the maintenance of effort requirement.

### THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### Finding# 2013-008: Reporting

# Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number

Disaster Grants – Public Assistance: CFDA No. 97.036, Program Year March 21, 2012 through March 28, 2013, U.S. Department of Homeland Security, award FEMA-4024-PW-00756.

#### Recipient

City of Norfolk

#### Criteria

In accordance with the Commonwealth of Virginia Department of Emergency Management information for the City of Norfolk dated April 10, 2012, the City of Norfolk is required to complete and submit to the Viriginia Department of Emergency Management (VDEM) quarterly progress reports on outstanding large projects no later than 15th day after a quarter-end. The performance report is required under 44 CFR 13.40.

#### Condition

One outstanding large project existed during the fiscal year 2013; project number 756 for the Lamberts Point Golf Course. The respective project worksheet was signed by FEMA for approval of the obligated funds on March 21, 2012. No quarterly progress reports were completed and submitted to VDEM during the 2012 or 2013 fiscal year for this outstanding large project.

In addition, the final reporting and requirements for reimbursement from the state were not performed on a timely basis. The state requires actual receipts to be submitted to the state agency in order to provide reimbursement to the City. Other than the Lambert Golf Course, all allowable federal expenditure activity caused by the Hurricane Irene event between August 26, 2011 and August 28, 2011 was incurred by the City as of June 30, 2012. At the time of the audit fiteld work for the June 30, 2013 audit, management had not submitted the reimbursement requests to the state.

### Perspective and Questioned Costs

There were no questioned costs associated with this finding.

#### Cause and Effect

Management was not aware of the requirement to accurately and timely report to the state on outstanding large projects.

Year ended June 30, 2013

#### acommondation

The City should implement a process to ensure that all reports are completed and submitted in a timely and accurate manner while monitoring which projects are open and which projects are ongoing.

### Views of Responsible Officials

The City concurs with the recommendation, and will assure that the City, will prepare progress reports as guided by the grant primary recipient, VDEM, and that agency's established reporting systems. Previously, there was a misunderstanding that reports were required when no new activity or significant change in project status had occurred during the reporting periods.

### Finding# 2013-009: Reporting

# Program, CFDA No., Program Year, Federal Agency, Pass-Through Agency, Grant Number:

Highway Paving and Construction, CFDA No. 20.205 (ARRA), Program Year 2013, U.S. Department of Transportation, Virginia Department of Transportation, project number U000-122-219 (UPC 94434).

#### Criteria

In accordance with the American Recovery and Reinvestment Act Information for Virginia Localities dated February 1, 2010, the City of Norfolk is required to complete and submit to the Virginia Department of Transportation (VDOT) the Monthly Status Report (1585), Employment Summary Report (1587), and Project Certifications through the VDOT reporting tool no later than the 5th, 13th, and 30th of each month, respectively.

#### Condition

Upon review of 4 months of VDOT report submissions, none of the monthly status reports and the employment status reports were submitted within the required timelines. However, all the project certifications were submitted within the required timelines.

In addition, the information in relation to the percentage of completion and amount disbursed contained in the monthly status report did not agree to source documentation in 4 out of 4 instances; although, the information is available from other sources such as the monthly reimbursement requests.

### Perspective and Questioned Costs

This is a repeat finding from the prior year audit. The project was substantially complete before the prior year audit report was issued. There are no known questioned costs associated with this finding.

#### Cause and Effect

The requirement to accurately and timely report to the state was not administered consistently, which lead to instances of noncompliance in the process.

### THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

#### ecommendation

City management should develop and implement a policy to ensure that all reports are completed and submitted in a timely and accurate manner.

### Views of Responsible Officials

Management agrees with the finding in that reports are required to be submitted accurately and on time even in instances when there is no activity to report. The City has reviewed the reporting and certification requirements and due dates with VDOT in no roder to ensure timely submission of data. The City will improve procedures on oversight to ensure reports are submitted by the required due dates.

Information will never match on the monthly status reports because the grant flows through two entities, VDOT and the City. The amount dispersed is the amount VDOT reimbursed the City plus any administrative costs charged to the grant. VDOT is the recipient of the grant and would be the entity that reconciles the amount.

# (4) Findings and Questioned Costs Relating to Commonwealth of Virginia

# State Finding 2013-010: Comprehensive Services Act Pool Fund Disbursements

In accordance with the Auditor of Public Accounts Specifications for Counties, Cities, and Towns, Chapter 3, Section 12, local government officials are required to determine the allowability of expenditures for troubled youths and families prior to disbursing the funds. In a sample of 25 payments tested, one payment was made for room and board in the amount of \$3,565. The amount was approved, but it was not specifically approved by a Comprehensive Service Act representative as required by the Chapter 3, Section 12. City management should develop and implement a process to ensure that allowable costs are approved by the appropriate personnel prior to being processed for disbursement with CSA funds.

### Views of Responsible Officials

Management concurs with this finding. The City has updated our expenditure approval process to accommodate unusual and irregular fund source changes that require additional approvals to ensure expenditures have the necessary approvals affixed to supporting documents in the future.

### State Finding 2013-011: Terminated Users

In accordance with the Auditor of Public Accounts Specifications for Counties, Cities, and Towns, Chapter 3, Section 15, local government officials are required to terminate the access privileges of all VDSS system users within three working days of employment terminated. In our testwork of 10 terminated employees, four employees were not terminated within the three-day threshold. We recommend that the City implement a management review control over the access termination process to ensure that access is terminated within the appropriate time frame.

Year ended June 30, 2013

### Views of Responsible Officials

Management concurs with this finding. The City will implement a management review control over the access termination process to ensure that access is terminated within the appropriate time frame.

### State Finding 2013-012: Business Continuity Plan

In accordance with the Auditor of Public Accounts Specification for Counties, Cities, and Towns, Chapter 3, Section 15, local government officials are required to prepare a written Business Continuity Plan based on the Department Plan Template updated within the previous 12 months. KPMG obtained the Business Continuity Plan, noting that the Plan had not been updated since August 2011. We recommend the City develop and implement a process to ensure the Business Continuity Plan is being updated on an annual basis.

### Views of Responsible Officials

Management concurs with this finding. The City is currently working to update the business continuity plan with a goal of having it completed by the end of the year.

### State Finding 2013-013: Annual Access Review

In accordance with the Auditor of Public Accounts Specification for Counties, Cities, and Towns, Chapter 3, Section 15, local government officials are required to review local employees' access to systems to determine whether the current computer access request form on file is appropriate and matches the access granted in the system. Local government officials are also required to review the access at least once per year. In a sample of 25 employees, one individual had access to the OASIS system, that was not authorized on their computer access request form.

Additionally, there was no direct evidence of review that was performed by local government for any of the 25 employees selected in fiscal year 2013.

### Views of Responsible Officials

Management concurs with this finding. While the City did conduct a review of the access granted to our systems for our employees, the certifications/documentation reviewed did not satisfy the new APA guidelines that were issued in July 2013. The City will communicate and work with the State Security Office to ensure that the City's future processes will satisfy the new APA requirements.

### THE CITY OF NORFOLK, VIRGINIA

Year ended June 30, 2013

### State Finding 2013-014: Unclaimed Property

In accordance with the Virginia Uniform Disposition of Unclaimed Property Act in Chapter 11.1 of Title 55 of the Code of Virginia, local governments holding funds or other property presumed abandoned under the Act must file a report listing the unclaimed property as of June 30 of each year. Section 55-210.9 states that all intangible property (checks are defined as intangible property in accordance with 55.210.2) held for the owner by any public authority that has remained unclaimed by the owner for more than one year after it became payable is presumed abandoned. Management filed the reports timely, but in our testwork of 30 outstanding checks at June 30, two checks totaling \$932.59 were improperly excluded from the reports filed with the state. We recommend that management implement a control across the City to ensure that all unclaimed property is accurately and completely submitted to the state.

### Views of Responsible Officials

Management concurs with this finding. One check was not timely escheated due to human error. With regard to the second check that was not timely escheated, the City was awaiting response from another agency as it dealt with an offender's open case file. Internal controls in this area have been enhanced such that a separate individual will review and verify the list of checks that need to be escheated to ensure unclaimed property is submitted by the required deadlines.